

**A COMPARITIVE STUDY ON THE PERCEPTION OF FARMERS IN AVAILING  
GOLD LOAN FROM PAWNBROKERS AND BANKS IN  
PERIYANAYAKKANPALAYAM BLOCK OF COIMBATORE DISTRICT**

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TAMIL NADU AGRICULTURAL UNIVERSITY  
COIMBATORE - 641 003**

**2011**

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*Thesis submitted in partial fulfillment of the requirement for the award of the degree of  
**MASTER OF BUSINESS ADMINISTRATION**  
to the Tamil Nadu Agricultural University, Coimbatore – 3.*

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## **CERTIFICATE**

This is to certify that the thesis entitled “**A COMPARITIVE STUDY ON THE PERCEPTION OF FARMERS IN AVAILING GOLD LOAN FROM PAWNBROKERS AND BANK IN PERIYANAYAKKANPALAYAM BLOCK OF COIMBATORE DISTRICT**” submitted in part fulfillment of the requirements for the degree of **MASTER OF BUSINESS ADMINISTRATION** to the Tamil Nadu Agricultural University, Coimbatore is a record of bonafide research work carried out by **Mr D.VINOTH** under my supervision and guidance and that no part of this thesis has been submitted for the award of any degree, diploma, fellowship or other similar titles and that the work has not been published in part or full in any scientific or popular journal or magazine.

Place : Coimbatore

**(Dr. P.MUTHIAH MANOHARAN)**

Date :

Chairman

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**Date :**

**External Examiner**

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## **ABSTRACT**

### **A COMPARATIVE STUDY ON THE PERCEPTION OF FARMERS IN AVAILING GOLD LOAN FROM BANKS AND PAWNBOKERS IN PERIYANAYAKKANPALAYAM BLOCK OF COIMBATORE DISTRICT**

**By**

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Agriculture is the backbone of our country with 70 per cent of the people who directly or indirectly get the benefits of agriculture. Agriculture credit is the major problem prevailing among the farmers apart from the climatic factors. With the entry and expansion of rural formal finance by banks in India, significant changes of rural financial structures are reported. First, the physical features of these structures had radically changed with the establishment of cooperatives, rural and semi-urban branches of commercial banks, land development banks and Regional Rural Bank. Second, policies directed through these formal constituents of rural financial structures had combined both development and welfare objectives, by means of government directives concerning bank location and loan portfolios, and a series of poverty alleviation programs with subsidized, activity specific and target group specific credit as the main instrument. Third, dramatic changes had been reported in the relative shares and importance of formal and informal financial intermediaries.

Gold loan was one such change which gave hand for the farmers where they can avail cash through the asset they own. But formal credit in this field has to improve

where informal finance plays a greater part by providing loan as and when they need. In focus of these problems, the objective of the study was set forth as follows, to analyse the socio-economic status of the farming community in Periyayakkenpalayam block of Coimbatore District, to find out the comparative advantage perceived by the farmers in availing gold loan from pawn brokers over banks, to measure the gap between service quality expectation and perception of the farmers, to identify the constraints in approaching the banks and factors promoting timely repayment of gold loan and to suggest policy measures in promoting the disbursement of gold loan through banks.

A multi-stage random sampling was carried out in order to select the sample respondents. Tamil Nadu, primarily the agriculture state, which holds the rice bowl of South India was randomly selected. Coimbatore district was selected for the convenience of the study in which Periyayakkanpalayam block was randomly selected. In Periyayakkanpalayam block, 60 respondents each from bank and pawnbroker were selected randomly constituting 120 respondents totally. The data primarily constituted primary data collected from the sample respondents regarding the general, socio-economic, and questions related to the study.

From the study, it can be observed that, the education of the customers of the bank for 96.67 per cent was above primary level and only 3.33 per cent were illiterate. But for the pawnbrokers, the illiterate forms the major portion with 51.67 per cent and the rest possessing education above primary level. The land holding pattern of the customers of the bank was higher than the customers of pawnbrokers. The average land holding size of the customers of bank was 5.96 and of the pawnbroker was 3.40. The majority of the customers of the bank are medium and large farmers where the customers of bank are marginal and small farmers.

Regarding the awareness on financial institutions providing gold loan among the customers of pawnbrokers, only 65 per cent were aware with banks and possessed a bank account whereas the remaining 35 per cent were not aware and does not hold a bank account. Of the total respondents, 45.83 per cent were not aware of non banking financial institutions (NBFC) and only 54.17 per cent were aware of it. The major purpose of availing gold loan for the customers of pawnbrokers were to purchase small inputs

(30 per cent) followed by emergency needs (23.33 per cent), short term input (20 per cent) and long term input purchase and to pay other debts of each 8.33 per cent. In case of customers of the banks, majority of them availed for purchase of long term input (36.67 per cent) and short term input (35 per cent).

Among the reasons for availing gold loan from bank, reasonable interest rate was ranked first (90.67) followed by safety for mortgaged property (88.23), providing huge scale of money (87.88), availability of technical guidance (87.01), approachability (85.20), quick processing and timely sanctioning of loan (84.56) and flexible repayment schedule (81.49) respectively. In case of pawnbrokers, lack of bank account was the major reason for availing loan from pawnbroker followed by processing time and timely sanction of loan (87.45), easy approachability (84.56), higher loan amount per gram of gold (81.27), distance of pawnbroker is accessible (80.05), flexible repayment time (79.63) and ignoring the small credit needs by banks(78.89).

Most preferred financial institutions for the customers of bank was bank followed by co-operative societies, neighbours and relatives, pawn broker and local money lender whereas for the customers of pawn brokers, neighbours and relatives with a mean score of 85.43 was the major source for availing credit followed by pawnbroker and cooperative societies where banks occupied the last position with a score of 75.36. Out of the total sample respondents, 91 per cent of the farmers have accessibility to money lenders and 77 per cent of them to pawnbrokers. Only 68 per cent 63 per cent of them have access to bank and co-operative societies.

The banks satisfaction level was perceived comparatively lesser than the pawn brokers in response to the following factors viz., flexibility, processing time, procedures to access loan, individual identity, loan amount per gram of gold, repayment period and accessibility. The factors like monthly interest and safety for mortgaged gold only had the mean score above that of the pawnbrokers. It could be identified that the customers of bank consider that the procedures and documentation process followed by the banks are the major constraints in availing loan whereas there is no procedures in getting loan from pawnbrokers. At the other end, the interest rates charged by the pawnbrokers are higher and thus it was considered as the major constraint.

Among the customers of pawn broker, only 65 per cent of the people hold a bank account where the rest of the people do not hold an account. This may be one of the

limitations of the customers in availing a gold loan from the bank. The reason behind not opening a bank account was money followed by low interest towards banking products, lack of awareness etc.,

The amount of income left after all the expenditures is only 9.40 per cent of the total income. The customers of banks have a higher quotient as their land holding size was comparatively higher than that of the pawnbrokers. The percentage of income left for repayment for banks was 10.15 per cent and of the pawnbrokers were 8.54 per cent. The amount of gold loan received indicates that higher amount is received from the bank where movement towards pawnbroker is seen when the loan amount is low. The service quality gap was positive for some statements for both banks and pawnbrokers. The gap was large for the interest rates levied by pawnbrokers

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# CHAPTER I

## INTRODUCTION

### **History of Banks in Rural India**

With the entry and expansion of rural formal finance by banks in India, significant changes of rural financial structures are reported. First, the physical features of these structures had radically changed with the establishment of cooperatives, rural and semi-urban branches of commercial banks, land development banks and Regional Rural Banks: (Gadgil 1986: 301). Second, policies directed through these formal constituents of rural financial structures had combined both development and welfare objectives, by means of government directives concerning bank location and loan portfolios, and a series of poverty alleviation programs with subsidized, activity specific and target group specific credit as the main instrument (Copestake 1987; Wiggins and Rajendran 1987). Third, dramatic changes had been reported in the relative shares and importance of formal and informal financial intermediaries. Using data from three Reserve Bank of India (RBI) decennial surveys, for 1961-62, 1971-72 and 1981-82, Gadgil (1986) and Pradhan and Dinakar (1990), noted on an all-India basis, a considerable rise in the share of formal credit in total cash debt of farmer households (18 per cent in 1961 to 63 per cent in 1981) and a consequent, very substantial, decrease in the share of informal credit (70 per cent in 1961 to 23 per cent in 1981). A residual category “other”, including insurance and provident funds, accounts for the balance in each of the reference periods.

Although inter-state variations in the reported shift from informal to formal sector financial provision, the results of the three surveys (Gadgil 1986: 282) revealed that, “The professional moneylender had virtually vanished from the villages and the role of informal credit had diminished considerably” and similarly, Pradhan and Dinakar (1990: 220) to assert “the progressive decline in all categories of non-institutional agencies at the all-India as well as state levels” .Furthermore, Iqbal (1988) reported a decline in informal interest rates for those villages in India where rural banks had been established.

In India, with the establishment of wide spread network of branches of commercial banks, the role of Informal Financial Institutions (IFIs) had been on the decline for about four decades. However, there are some indications about the rise in their

role during the last one and half decades (Chavan, 2005, Mohan, 2006, and RBI, 2006). According to the National Sample Survey Organisation's (NSSO's) 'Situation Assessment Survey' 2003, the share of the institutional agencies in loans outstanding of farm households in India was only 57.7 per cent, which was 8.6 percentage points lower than the share of 66.3 per cent in 1991-92 (in respect of cultivator households). On the other hand, informal agencies provided 42.4 per cent of the outstanding loans of farm households in 2003 as against 30.6 per cent in 1991-92. The share of money lenders in total dues of rural households has increased from 17.5 per cent in 1991 to 25.7 per cent in 2003 (NSSO, 1998 and 2005).

79 per cent of the rural households had no access to credit from formal sources (Basu, 2005). (RFAS, WB, 2003) has found that the above facts point to the re-emergence of rising, *albeit* marginal, role of informal agencies in the provision of credit. It is, in this context, that the Reserve Bank of India (RBI) has taken measures for financial inclusion and constituted a technical group for review of legislations on money lending (RBI, 2006). Broadly, there are two sources of credit available to the farmers in a less developed country like India – institutional and private. Non-institutional or private sources include moneylenders, traders, landlords, friends and relatives while institutional sources consist of cooperatives, commercial banks, Primary Agricultural Credit Societies (PACS) etc.,

### **Role of Banks in Rural Finance**

In the initial stage of development (after independence), the share of formal credit in total agriculture was very low. For example, in 1950-51 this share was merely seven per cent. However, in order to remove the dependence of the farmers on informal credit, in India since independence, a multi-agency approach consisting of cooperatives, commercial banks and Regional Rural Banks (RRBs) - known as institutional credit has been adopted to provide cheaper credit in sufficient amounts to farmers.

The major thrust of policy in the sphere of agricultural credit has been its progressive institutionalization for feeding agriculture and rural development programs with adequate and timely flow of credit particularly towards the small and marginal farmers. As a sequel, the share of the formal sector in total agricultural credit increased to

63 per cent in 1980-81 (All India Rural Debt and Investment Survey 1961-62 and 1981). This is the existing policy of rural credit which aims at horizontally displacing the informal credit system by the formal one. However, the experiences with this policy were not really encouraging.

Evidence from several studies (e.g. Lele (1981), Gonzalez Vega (1981), Braverman and Guasch (1986), Egger (1986)) revealed that only a small group of large farmers monopolize the lion's share of the total volume of credit disbursed by the formal credit agencies. The social and political clout of large farmers ensure their access to these institutions. On the contrary, small and marginal farmers, including tenant farmers have less access to formal credit institutions because of the asset-based lending policies of these agencies. The formal credit institutions often ration credit to small borrowers in order to reduce their transaction cost, which is very high when serving several small borrowers Gonzalez Vega (1981) .

The time taken for obtaining a loan from the formal credit agency is negatively associated with the farm size (Sarap 1991). Large farmers in general, can obtain formal credit (short term) more or less at the time they need it while small and marginal farmers face a substantial delay in getting formal credit (Bedbak 1986). This, along with some other factors, leads to a highly unequal distribution of formal credit against small and marginal farmers. Formal loan as a percentage of total loans is much higher for large farmers than for small and marginal farmers (Sarap 1991). Among the factors inhibiting the small farmers from securing formal credit in time, Sarap has emphasized the lower bargaining strength of small farmers vis-à-vis large farmers, the bureaucratic and procedural formalities required, patronage, arbitrariness and corrupt practices of the officials, especially in the cooperatives.

### **Constraints in obtaining formal credit**

Most of the customers of pawnbrokers had credit limit and account in their nearest banks as major constraints in approaching bank for gold loan. Apart from this reason, they don't have enough banking knowledge to access credit. They feel difficulty due to the distance from their household to the financial institution. There is no sufficient

awareness among the rural sample respondents regarding the interest rates and repayment periods in banks, For them, the bank is remaining still a non accessible.

Moreover, Chaudhuri and Gupta (1996) and Gupta and Chaudhuri (1997) have shown that when there is corruption in the distribution of formal credit, a credit or price subsidy policy may raise the interest rate in the informal credit market and lower agricultural productivity. The real costs of borrowing including tips and opportunity costs of time spent (of the borrowers) are inversely related to the farm size. It has been found that the effective rate of interest paid by the smaller group of borrowers is almost twice the nominal rate of interest (12 per cent) charged by the formal credit institutions in the survey year (Sarap 1991).

This further limits small farmers' accessibility to formal credit. Moreover, formal credit institutions are plagued by the problem of high level of over dues. This may be because of their influence in formal credit agencies, which may have enabled them to avoid the payment of loans. These tendencies have clogged the process of credit recycling since the capacity of credit agencies has been reduced substantially.

The small and marginal landowners continue to depend on the highly exploitative informal sources of credit, making it virtually impossible for them to adopt modern agricultural technology or benefit from development programs. Consequently, the provisions of institutional credit rather than bridging the gaps in many places of the country, have in fact widened the differences between the rich and the poor in the rural society. There has been a growing realization that the needs of rural credit cannot be adequately served by the traditional credit policy. So we need an alternative policy to achieve the desired targets of adequately serving the small and marginal farmers with cheaper source of credit.

There is no doubt that the informal sector lenders are in a better position to grant and recover loans from the small borrowers than formal credit agencies. So an alternative credit policy is not trying to replace the informal credit system horizontally by the formal one, but to encourage the informal sector lenders by enhancing their credit worthiness with adequate supply of subsidized credit. The informal sector lenders e.g. traditional moneylenders, large landowners or grain traders are in a much better position to put up

collateral: from the view point of the formal credit agencies they are good credit risks. The supply of subsidized formal credit to the informal sector lenders (existing or potential) will increase the degree of competitiveness among them which helps to improve the borrowing terms faced by the small and marginal farmers who do not have access to formal credit system. This can be thought of as a policy of forging 'vertical' links between the informal and formal credit systems.

### **Role of gold in availing credit**

Gold in India is considered to be an investment of sorts. Even though it is a dead investment, it comes in handy during times of financial crunch due to its easy liquidity. Also, the traditional values attached to this metal make Indians invest in it.

Current gold prices are sky rocketing and so is the time to pledge gold (jewellery) to get short term loans to fulfil our needs. The business of loans against gold jewellery has become a priority for many financial institutions. Many have chalked out mega retail spread plans, especially in Tier-III and Tier-IV cities, to ensure more gold loans, especially to farmers. Traditionally, farmers mortgage gold to avail money to buy high-yielding seeds during the Kharif and Rabi sowing seasons. They repay the loan during harvesting seasons by selling their output. So, without losing any inherent asset or opportunity to produce high-agri output, they get additional income through extra yield after borrowing funds from organised and unorganised financiers.

Gold loans (or gold deposits) may be undertaken to obtain an income return on gold. The gold that is placed on loan (or deposit) may be either a financial asset (i.e., monetary gold) or a non- financial asset (i.e., non-monetary gold.) The gold remains on the books of the gold lender, and the lender retains the exposure to the market risk arising from movements in the market price of gold. Loan against gold ornaments is a product designed to provide liquidity against gold ornaments without having to sell them. Gold ornaments lying idle can be put to productive use by availing loan against gold ornaments. Loan will be sanctioned on submission of all the required documents and satisfactory assessment of gold ornaments. Loan amount is disbursed by cash, DD or funds transfer to an account (as the case may be).

In the case of default in repayment, penal interest (as the case may be) will be charged around 2 per cent per annum over and above the normal rate of interest.

The product is packed with features such as:

- Hassle-free quick processing of loans.
- Simplified paperwork.
- Easy payment options.
- Attractive interest rate.

Gold loans (or deposits) are not backed by cash collateral and, in some cases, are not backed by non-cash collateral. However, the gold may be on-sold by the borrower. With Gold Loan, one can get an instant loan against gold jewellery and ornaments. The procedure is simple, documentation is minimal and approval is quick.

#### **Features & Benefits to farmers**

- Avail Loan up to Rs.20,00,000 & up to 80 per cent of value for any purpose
- Safety & Security for Gold Jewellery
- Loan processed in 30 Minutes
- ATL - Anytime Liquidity.
- No EMI, Service
- Lower Interest Rates
- Simple documentation and fast processing.
- Overdraft limit varies depending on the market rate of gold.

**Players:** There are a host of financial service companies (including banks like HDFC Bank, ICICI Bank, State Bank of India and its associates, Allahabad Bank, Development Credit Bank, etc.) which offer 'Loans against Gold' at different interest rates. Non-banking financial companies or NBFCs (like Manappuram Finance and Muthoot Group), cannot take deposits of money from the public but can give loans. Various co-operative banks also offer these loans.

**Rate of Interest:** The interest rate ranges anywhere from 12.5 per cent to 33.6 per cent. The rate of interest charges on loan against gold is lower than that of personal loans. A PSB (Public Sector Bank) charges 18 per cent interest on personal loan but 15.75 per cent on

gold loans while other charges 14.5-16.5 per cent (on personal loans) and 12.5 per cent (for loans against gold jewellery). But, loans from NBFCs are costlier than any bank. Some NBFCs extend loans at a fixed rate of 33.6 per cent. The huge difference in the rates charged is remarkable. Interest rate varies due to the quality of gold jewellery.

**Quality/Purity:** Pure gold is available only in the form of gold coins and bars, as jewellery cannot be made of pure gold. Gold coins and bars can't be pledged for loans as people have attachment to their jewellery and not coins and bars. If value of gold falls below the loan amount, a person would not return for bars and coins but jewellery because of his/her attachment (as jewellery could be grandmother's or mother's). The loan amount would be lower than the worth of the jewellery even if it is hallmarked or of utmost quality.

**Gold Prices & its Calculation/Computation:** The current gold price is close to Rs.17000 for 10 grams but this is not considered by all banks or even NBFCs. Each bank has different methods of calculating the value of jewellery pledged. Some banks fix the consideration price at a level (say Rs 1,005-1,215 per gram) for about 6-12 months and revise it only a year later, no matter what the actual market price of gold in the international markets is while others take an average of two weeks' market price and value the jewellery to that extent. Some even look at the day's international trading price and offer a loan considering the value of gold on that price. This is because of the fluctuation of the gold prices. They have to keep margins due to purity issues as it is very easy to cheat on purity in current scenario.

**Loan Amount:** The method of calculation of the price of gold can make vast difference to the loan amount eligibility. It could be 5-10 per cent of the loan amount. The tenure of the loan and the frequency of repayment are the other factors affecting the amount of loan. The gold jewellery is sealed in a tamper-proof manner in front and kept in the bank's safe deposit.

The Reserve Bank of India (RBI) has introduced specific guidelines and standard practices for bank lockers. The NBFCs have no conditions on lockers. But they also maintain the same locker facilities as banks given the risks associated with gold jewellery.

The maximum tenure for these loans is three years and the interest rate falls in the range of 11-20 per cent. The rate largely depends on how much security (in this case, the gold jewellery/coins/bars) the borrower leaves with the bank. Also, repayment can be structured as per the borrower's convenience. One can just pay the interest amount with the principal as a lump sum amount instead of periodic EMIs.

Post repayment of the Gold loan, one has to go to the branch to collect the pledged jewellery. The process is simple and the delivery of jewels is done across the table at the branch on repayment of the dues.

### **Rural money lenders**

Pawn brokers, as the name suggests, lend money by using marketable assets such as gold, jewellery, household articles etc as collateral or security. Borrowers in need of money pawn an asset or article as security or pledge and receive a loan which is lower in proportion to the value of the pawned article - this is usually 40 to 50 per cent of the value of the item.

A pawn ticket is issued to the borrower as a transaction record. On repayment of the loan plus interest, the pawned article is returned to the borrower. The pawn ticket usually records name and address of the pawn broker and the pawner or borrower, loan amount and its terms and conditions, detailed description of the pawned article etc.,

Pawn broking has been in vogue from ancient times with households holding their assets primarily in gold and jewellery - assets that can be transported easily in times of unrest and pawned in times of financial need. Thus, pawn broking has its attractive points for the lender (the pawn broker) as well as the borrower (the pledger or pawner). The pledger sells as it were; his pawn for a certain sum below the going (appraised) market value and retains the right to buy it back within a specified time by returning the original sum plus interest. If he does not, he will lose his property, but no further debt exists and hence no ever-ending debt load.

### **Legal Provisions, Regulatory Framework and Supervision**

This section reviews the relevant legal provisions contained in the RBI Act, 1934, and its amendments, Financial Companies Regulation Bill, 2000. The review is aimed at

identifying the provisions which need to be strengthened for orderly working of money lenders.

### **Importance of service quality in agricultural financial institutions**

The agricultural financial institutions are the backbone of the agricultural growth and development. The challenges ahead for those institutions have greatly increased with increasing competition and the growing demand for a greater variety and superior quality of banking service. Under these circumstances, the banks will have to face two challenges. They are to retain the existing farmer customers and to create new customers. It is a farmer oriented service industry. There has been a radical shift in the market power from institutions to the farmers. The effectiveness and efficiency became the success of agricultural banking operation and proper functioning particularly in respect of providing services to the farmers. Service is invisible which is indispensable from the person who extends it. An efficient or effective service is one which is extended appropriately by identifying and understanding the needs of the individual farmer from time to time. Service is a dynamic interactive process which needs continuous improvement. With the advancement of information technology and communication system, the whole world has been reduced to a global village. The farmers at the present juncture are well exposed to television, internet and so on. He is aware of the fact of service level available around the world and thus expects the best from his bank. Service is not only a critical function but becoming key posture for the business. It is the next most business strategy. The improved service quality will definitely increase the profitability. Agricultural bank can be said as farmer oriented if its various organisational activities are geared up to fulfill farmers needs. However, success rate depends on the innovative strategies adopted by the banks including the better services and adequate fulfillment of farmer's expectations. Thus keeping the objectives in mind, the service quality rendered by the banks and pawnbrokers are studied and the gaps are analysed from the farmers availing gold loan.

### **Scope of the Study**

The rural farming communities require timely credit for their urgent needs. This cannot be fully met out by banks or other formal financial institutions cent per cent

because of illiteracy, not having bank account, time constraints and inflexibility in banking procedures. Pawnbrokers and informal financial bodies use this gap as their main chance to cover the borrowers who is ready to pledge their gold to get loan against the gold as the security. This study hypothesis that

1. Farmers perceive that availing gold loan from pawn brokers has the comparative advantage and they are very reluctant to get loan from banks because of their own constraints.
2. There are lot of scope to increase number of gold loan disbursement from banks now-a-days.

### **Objectives of the study:**

The overall objective of the study was thus framed from the above stated problems as to access the perception of farmers about availing gold loan in banks compared to the pawn brokers. In order to fulfil the overall objective, the specific objectives framed are as follows:

- 1) To analyse the socio-economic status of the farming community in Periyanyakenpalayam block of Coimbatore District
- 2) To find out the comparative advantage perceived by the farmers in availing gold loan from pawn brokers over banks
- 3) To identify the constraints in approaching the banks and factors promoting timely repayment of gold loan
- 4) To measure the gap between service quality expectation and perception of the farmers and
- 5) To suggest policy measures in promoting the disbursement of gold loan through banks.

### **Limitations of the Study**

The study is limited to Coimbatore district and it may not be applicable to any other area as there exist a vast difference among the demographic and psychographic characters. The study was restricted to the sample account holders and non account

holders so there is a little scope of comparison of results with account holders of other regions. The saving habits and practices regarding banking vary from individual to individual. Hence, the results of the present study have to be used carefully according to the study area and regarding banking profile.

### **Organization of the Thesis**

The thesis has been organized in the following pattern.

- Chapter I** : **Introduction:** Problem focus, objectives, scope and limitation of the present study are presented.
- Chapter II** : **Concepts and Review:** Concepts used in the study along with a brief review of the earlier studies are presented.
- Chapter III** : **Design of the Study:** Survey design and analytical framework are presented.
- Chapter IV** : **Description of the Study Area:** The Socio-Economic status and the cultural pattern of the study area are presented which helps in the deep understanding of the study.
- Chapter V** : **Results and Discussion:** Results of the study are presented and then discussed.
- Chapter VI** : **Summary and Conclusion:** Salient findings are summarized and Conclusions are drawn. Policy implications are also outlined.

## CHAPTER II

### CONCEPTS AND REVIEW

It is surprising to find that while money lenders have been in existence in all parts of the country and they dominated the informal credit market for a long time, there are not many studies on their operations. Perhaps, this is due to lack of data and information. The RBI's Report of the All India Rural Credit Survey Committee (1954), Report of the All India Rural Credit Review Committee (1966) and Decennial All India Debt and Investment Surveys provide some information about the extent of operations of money lenders. Studies by Timberg and Aiyar (1984), Ghate (1988), Bell (1990), Swaminathan (1991) and others examined various dimensions of working of informal financial sector in the country. The following inferences can be made from these studies; i) operations of money lenders are very prevalent and they account for a sizeable share of credit availed by people, ii) there is sizeable gap between lending rates and deposit rates, iii) there is extreme variability in the interest rates within the same sub-economy, iv) loan default level is low, v) main purposes of borrowings are for production, trade and consumption, vi) rich people borrow more and pay lower rate of interest, and vii) with the spread of network of banks since nationalisation and tightening of legal provisions some segments and activities of informal credit markets have declined, while others expanded in response to new needs of growing trade and industry.

The concepts reviewed are,

Loan

Pawnbroker

Awareness

Service quality

Customer satisfaction

Credit constraint

#### **Loan**

A loan is a sum of money that is given by one party to another for a limited amount of time. It is to be repaid according to terms of the loan agreement which includes any interest to be charged and a time frame for repayment.

A loan is sum of money that an individual or a company loan to an individual or company with the objectives of gaining profits when they are being paid back.

### **Pawn Broker**

A small lender who lends money at a high interest rate and holds some of the borrower's personal goods as collateral, to be sold to the public (in a pawn shop) in the event of default.

A dealer licensed to lend money at a specified rate of interest on the security of movable personal property, which can be sold if the loan is not repaid within a specified period.

A person who lends money at interest in exchange for personal property that is deposited as security lender, loaner - someone who lends money or gives credit in business matters pledge someone to whom a pledge is made or someone with whom something is deposited as a pledge. Lengthy procedure for establishing credit worthiness is avoided as it is established by the value of assets pawned.

### **Service quality**

**Andreassen and Olsen (2008)** concluded that service quality is a critical measure of firm's performance.

**Fogli (2006)** defined service quality as “a global judgment or attitude relating to a particular service; the customer's overall impression of the relative inferiority or superiority of the organization and its services. Service quality is a cognitive judgment”.

**Karatepe *et al.* (2005)** explained that service quality is abstract and elusive and lacks objective measure.

**Gefan (2002)** defined service quality as the subjective comparison that customers make between the quality of the service that they want to receive and what they actually get.

**Wisniewski (2001)** Service quality is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining it and measuring it with no overall consensus emerging on either.

**Zeithmal (2000)** Service quality is a key factor in keeping competitive advantage and sustaining satisfying relationships with customers.

**Zikmund and D'amico (1992)**, report that service quality as the degree to which the performance of service provider match customer expectation; the essential characteristics of a service that measure its excellence.

**Howcraft (1991)** opined that service quality in banking implies consistently anticipating and satisfying the needs and expectation of the customer.

**Parasuram et al. (1988)**, defined that service quality as a form of attitude related but not equivalent to satisfaction that result from the comparison of expectation with performance.

In this study service quality is considered to be the conformance of services to the farmers expectation.

## **REVIEW**

### **Advantages of Pawn Broker**

**Bouman, (1988)** No spiralling debt cycle is created by loans from pawn brokers as a defaulting loan is recovered by the pawn broker from the pawned item. A cost of lending is covered by providing loans that are lower than the cost of the pawned item. Collateralized/pawned item is usually a movable asset, as against immovable/fixed assets such as land, houses etc.

### **Disadvantages of Pawn Broker**

**Bouman, (1988)** If for some reason, the borrower is unable to repay the loan amount, he loses his right to redeem his pawned article. This is a loss, since the amount he received as a loan is less than the value of the article pawned. Pawn Brokers auction or sell off articles that are not redeemed by the borrowers and usually make a profit from the sale - which is not passed on to the article's original owner/borrower.

### **Key implications of Pawn Broker**

**Bouman, (1988)** has stated while establishing credit worthiness of a borrower, in absence of viable information and a steady income, alternate means of collateralizing may

have to be used in special cases. This, in effect further reduces transaction costs of loans as the costs of assembling information is eliminated - alternate types of collateral used for guarantees, including recommendations. Loan transaction methodologies have to take into account existing patterns of asset creation among low-income households - assets based on income cycles, long term savings plans etc.

**Kannan et al., (2010)** has found that India is the largest consumer of gold in the world. Gold is a major vehicle of saving for large number of low and middle income households in rural and urban areas. India's gold demand is significantly influenced by real income and a set of variables pertaining to monetary, fiscal and financial sector policies such as interest rate, exchange rate, personal income tax, government spending to ease economic and social uncertainty and wealth (asset price), besides the relative price of gold.

**Nanda kumar (2009)** has emphasized that there is enough scope for more and more players in this sector to create awareness about this short-term loan, in which we offer up to 90 per cent of the value of jewellery, at up to 18 per cent of interest. We charge no pre-payment penalty. Also, interest is charged only for the period the loan is availed for. Hence, entry of more players will encourage customers to opt for this short-term loan without hassles.

**George Alexander (2011)** has stated that, consider the estimated 20,000 tonnes of gold held by individuals and 10 per cent of it is coming for mortgage, then the total loan book position should be Rs 400,000 crores. The industry has not penetrated even 10 per cent of that. Hence, immense of opportunity lies ahead for new players

**Om Parayapoonya (2011)** found that the interest rates are outrageous. Pawnshops lend money at an APR of 120 per cent - 300 per cent, depending on the state's usury laws. Some states also allow pawnshops to add other charges and fees such as storage, insurance and service. Some states even allow pawnbrokers to require a new service every time a loan is renewed. That's why some people end up paying \$4,000 to reclaim \$1,000 worth of collateral.

**Asa Ghaffer (2010)** in his study has found that in order to get a fast cash advance loan, the lender will need to value the collateral. The most common items of value used

to secure the loan include silver, gold, jewellery, antiques, art and sports cars. Whilst the larger items will need to be physically taken to the shop, the smaller items can be sent securely to the pawnbrokers via the postal service. It is normally possible to borrow up to 50 per cent of the items value but this is at the complete discretion of the lender. It is rarely higher than this figure in order to ensure that there is enough value to cover to the interest that accrues.

**Ramachandran et al., (2001)** The survey conducted in Theni district indicated that typically, loans for the purchase of milch cattle and drought animals and loans for small scale self-employment were the actual loans to which rural labour household had access.

The advances to which a landless labour family could possibly have had access as a proportion of all advances were a mere 8.4 per cent. In other bank, the lead bank from the district, the proportion was 1.9 per cent. The most striking feature is the sharp rise in the share of money lenders in informal sector advances from 27.2 per cent in 1977 to 41.9 per cent in 1999.

**Pradhan and Dinakar (1990)** quoted in RBI (Reserve Bank of India) survey, five categories of loan purpose are identified and their relative shares measured by proportions of outstanding loan volume. In 1981 these are as capital expenditure in farm business (32.2 percent), current expenditure (12.0 percent), household expenditure (32 percent) other use of broad categories (8.1 percent) of loan purpose make significant differences between informal and formal credit provision and the use of loan volume above to measure relative importance of loan purpose can underestimate the significance of credit needs. However, in terms of number of loans, a quite different picture of relative share emerges. Only 90 per cent of the 425 loans advanced during 1988-89 were advanced by the bank while the remaining 335 loans were advanced by the shopkeeper.

**Jeromi (2007)** in the study conducted in the state of Kerala found that around two-third of the loans are given against the security of gold. It is considered as a more secured business as they generally provide only around 80 per cent of the value of gold as loan. However, in case of gold loan also there is a risk. Some firms who are very eager to

expand loans, provide more than 80 per cent of the value of gold as loan. If the loan amount is not repaid within the stipulated time, the financier will lose money.

**Sarbjit Chaudri (2000)** in his study discuss that the formal and informal credit institutions are both substitutes. The bank official and the money lenders play a non-cooperative game in determining the bribing rate from informal interest rate simultaneously. The number of farmers receiving formal credit is also determined as a by-product. He also identifies that lowering the formal sector interest rate raises the interest rate prevailing in the informal credit market. A credit subsidy policy may be undertaken either through an increase in the volume of formal credit supplied to borrowers, keeping the formal sector interest rate at a reasonable level or through a decrease in the rate of interest charged on this type of credit.

**Egger (1986)** reveal that only a small group of large farmers monopolizes the lion's share of the total volume of credit disbursed by the formal credit agencies. The social and political clout of large farmers ensures their access to these institutions. On the contrary, small and marginal farmers, including tenant farmers have less access to formal credit institutions because of the asset based lending policies of these agencies. Moreover, he points that the formal credit institutions often ration credit to small borrowers in order to reduce their transaction cost which is very high when serving several small borrowers.

**Sarap (1991)** has pointed out that the time taken for obtaining a loan from the formal credit agency is negatively associated with the farm size. After analyzing the village level data of Sambalpur district of Orissa, Sarap has come to the conclusion that large farmers, in general, can obtain formal credit (short term) more or less at the time they need it while small and marginal farmers face a substantial delay in getting formal credit. It has been revealed that almost 62.39 per cent of the total overdue of the sample farm households is accounted for by the large farms and a lion's share of the overdue was for more than five years, a clear case of wilful default. This may be because of their influence in formal credit agencies, which may have enabled them to avoid the payment of loans. These tendencies have clogged the process of credit recycling since the capacity of credit agencies has been reduced substantially.

This problem has also been observed by **Bedbak (1986)** who made a survey of a village of the Sonepur subdivision of Orissa. This, along with some other factors, leads to a highly unequal distribution of formal credit against small and marginal farmers. Formal loan as a percentage of total loans is much higher for large farmers than for small and marginal farmers. Among the factors inhibiting the small farmers from securing formal credit in time, Sarap has emphasized the lower bargaining strength of small farmer's vis-à-vis large farmers, the bureaucratic and procedural formalities required, patronage, arbitrariness and corrupt practices of the officials, especially in the cooperatives.

**Hoff and Stiglitz (1996)** have argued that an expansion of formal credit to the informal credit market would pave the way for the entry of new informal sector lenders into the market which, in turn, would make loan recovery more difficult leading to an increase in the costs of loan enforcement for every lender. As a consequence, the informal sector interest rates may go up instead of falling.

**Sarbajit Chaudri (1997)** has studied the comparative analysis between the formal and informal credit markets between horizontal and vertical linkage through that it is believed that the supply of subsidized formal credit to these lenders will increase the degree of competitiveness among them, which helps to impose the borrowing terms faced by small and marginal farmers who do not have access to formal credit. The policy of vertical linkage ensures lower informal interest rate and higher agricultural productivity vis-a-vis the horizontal linkage case. In the case of collision between the informal lenders it was found that the interest rate is still lower in the vertical linkage.

### **Service Quality**

**Hazra and Srivastava (2009)** in their study indicated that the bank should pay attention to these dimension of service quality and pay more attention to dimension of assurance-empathy to increase loyalty to a company, willingness to pay, customer commitment and customer trust.

**Vimi and Mohd (2008)** undertook a study of the determinants of performance in the Indian retail banking industry based on perception of customer satisfaction. The findings of the study reinforces that customer satisfaction is linked with performance of the banks.

**Choudhury (2008)** in his study suggests that customers distinguish four dimensions of service quality in the case of the retail banking industry in India, namely, attitude, competence, tangibles and convenience. Identifying the underlying dimensions of the service quality construct in the Indian retail banking industry is the first step in the definition and hence provision of quality service. The paper has drawn upon the findings of the service quality dimensions to contend the initiatives that bank managers can take to enhance their employees' skills and attitudes and instill a customer-service culture.

**Al-Fazwan (2005)** in his study found that the bank should concentrate on accessibility dimension. He stated that the particular bank should take maximum efforts to raise the level of services to meet out the customer expectation.

**Schneider and White (2004)** noted, "Service quality judgments were viewed as global evaluations that were composites of consumers' experiences with an organization (global-level evaluation)". In this case, users' perception is a tool to evaluate the rate of service quality of the organization.

**Wang and Davis (2004)** quality of services can be the difference between success and failure in both service and manufacturing firms. Service quality, customer satisfaction and customer value have become the main concerns of both manufacturing and service organizations in the increasingly intensified competition for customers in today's customer-centered era.

**Arnauld *et al.* (2002)** perceived service quality as a general, overall appraisal of service i.e. a global value judgment on the superiority of the overall service, while other researchers look at perceived service quality as an attitude.

**Hoffman and Bateson (2001)** defined service quality as an attitude formed by a long term overall evaluation of a performance.

**Bahia and Nantel (2000)** developed a specific new scale for perceived service quality in retail banking. After refinement, the BSQ was left with 31 items of service quality relevant to the banking sector. These 31 items were distributed across six dimensions:

1. **Effectiveness and assurance:** effectiveness refers to the effective delivery of service (particularly the friendliness and courtesy of employees) and the ability of staff to inspire a feeling of security. Assurance concerns the staff's ability to exhibit their communication skills and to deal confidentially with clients' requests.
2. **Access:** assesses the speed of service delivery.
3. **Price:** measures the cost of service delivery.
4. **Tangibles:** assess the appearance and cleanliness of a bank's physical infrastructure.
5. **Service portfolio:** assesses the range, consistency, and innovation of the bank's products.
6. **Reliability:** measures the bank's ability to deliver the service you have been promised accurately and without error.

**Juran (1999)** elaborated the customer led quality as features of products, which meet customer's needs and there by contributed to customer satisfaction.

**Feinburg and Ruyter (1995)** pointed out the importance of adapting the definition of service quality in different cultures.

**Babakus and Mangold (1991)** empirically evaluated SERVQUAL (Service Quality Analysis) for its potential usefulness in a hospital service environment .The completed perception and expectation scales met various criteria for reliability and validity. Suggestions were provided for the managerial use of the scale and a number of future issues were identified.

**Parasuraman et al. (1988)** studied the measurement of service quality and then explored its impact on customer satisfaction and firm performance. The principal measure of service quality attempted to measure the gap between customer expectations and perceived actual service performance in terms of five dimensions relating to product and process (namely reliability, responsiveness, assurance, empathy and tangibility). Of these dimensions, the first four related to the element of human interaction /intervention in the service delivery. Their inclusion had been validated by numerous

studies which highlighted the importance of the customer interface in determining service quality.

**Lehtinen (1982)** also described service quality in three dimensions: the “physical quality” (of products and/or services), the “corporate quality” (the company image) and “interactive quality” (interaction between the consumer and the service organization).

**Sasser *et al.* (1978)** suggested that three attributes material, facilities and personnel influenced the process of service delivery, which is one of the very important service quality measures.

### **Customer satisfaction**

**Kumar *et al.* (2010)** found out that tangibility, reliability and empathy are important factors for customer satisfaction whereas responsiveness and assurance are important factor.

**Kumar *et al.* (2009)** stated that high quality of service will result in high customer satisfaction and increases customer loyalty.

**Naeem and Saif (2009)** found that customer satisfaction is the outcome of service quality.

**Smith and Swinyard (2006)** found that customer satisfaction or dissatisfaction does not operate in the decision making process. Indeed, the more the customer is satisfied with the product, the greater the expectation raised when it is purchased again. Failure to meet the expectation can result in at least mild dissatisfaction.

**Homburg *et al.* (2005)** in their study revealed that there existed a strong positive impact of customer satisfaction on the willingness to pay.

**Gomez *et al.* (2004)** reported three main antecedents to customer satisfaction in food retailing *i.e.*, customer service, quality of different products and value for money.

**Bhave (2001)** found that with better understanding of customers' perceptions, companies can determine the actions required to meet the customers' needs. They can identify their own strengths and weaknesses, where they stand in comparison to their competitors, chart out the path for future progress and improvement. Customer

satisfaction measurement helps to promote an increased focus on customer outcomes and stimulate improvements in the work practices and processes used within the company.

**Spreng *et al.* (1996)** found that overall satisfaction with a purchase process, including the information available for the decision and the experience of actually making the purchase as well as satisfaction with the service or product purchased.

**Cronin *et al.* (1992)** found that the perceived performance level could be noticeably above the expected level, or at the expected level satisfaction with the purchase is primarily a function of the initial performance expectation and perceived performance relative to those expectations.

**Richins (1983)** found that firms need to satisfy customer expectations by creating reasonable expectations through promotional efforts and maintaining consistent quality so the reasonable expectations are fulfilled. Since dissatisfied customer tend to express their dissatisfaction to their friends, dissatisfaction may cause the firm to lose future sales to the unhappy customer's friend as well as to the unhappy customer.

## **CHAPTER III**

### **DESIGN OF STUDY**

Research methodology is a way to systematically solve the research problems. It may be understood as a science of studying how research is done systematically. It explains various steps done that are adopted by a researcher in studying his research problem, along with logic behind them. It is necessary for the researcher to know not only the research methods and techniques but also the methodology.

Research methodology is the systematic investigation into the study of methods and tools used in order to establish facts and reach tangible conclusions. In order to achieve the various objectives of the study, an appropriate methodology which describes sampling design, data collection and specification of the empirical model and tools of analysis was designed. Hence, in this chapter, a brief description about the methodologies followed in the present study is detailed under the following headings.

3.1. Selection of the Study Area

3.2. Sampling Procedure

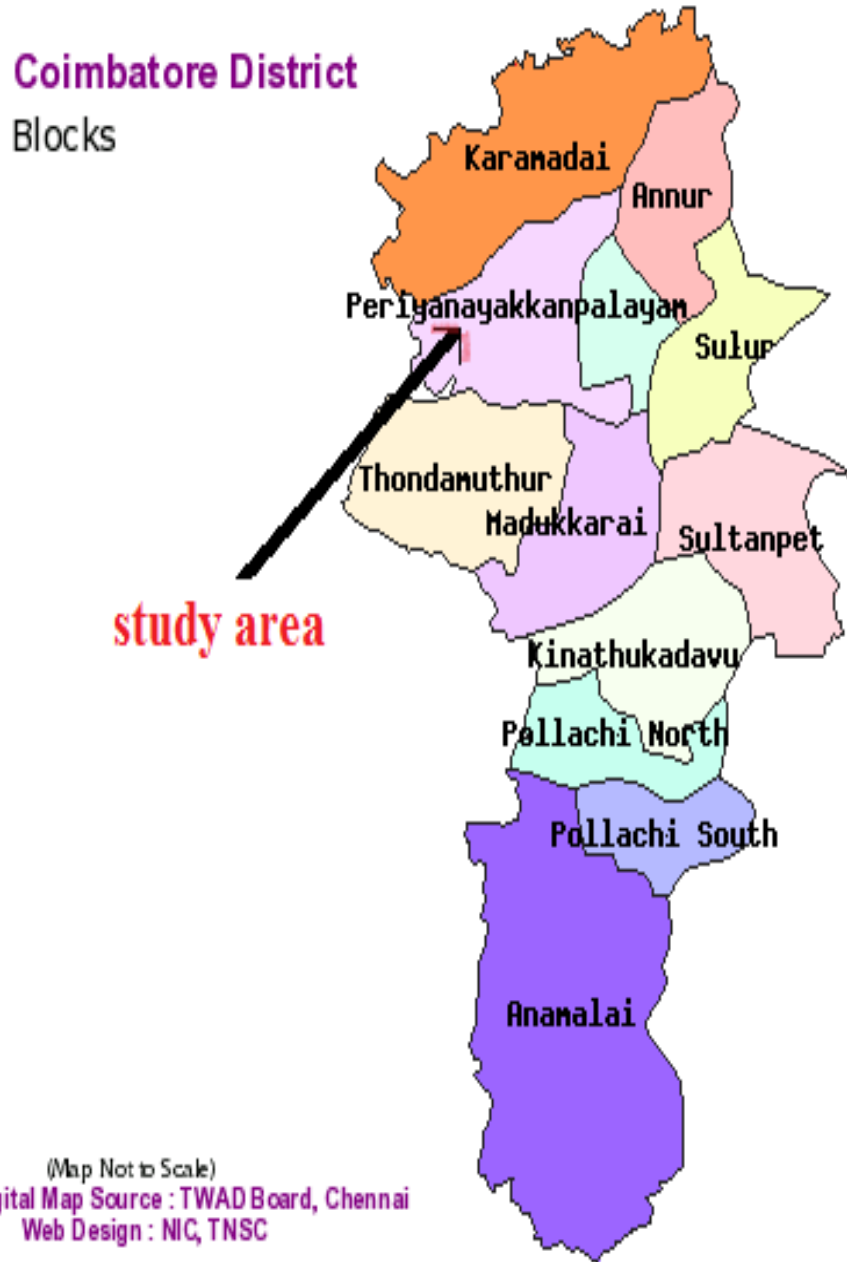
3.3. Collection of data

3.4. Method of analysis

#### **3.1. Selection of the Study Area**

In Tamil Nadu, Coimbatore is the district with highest GDP ahead the district with the state capital Chennai. It is the Education, Textiles and Engineering hub of Tamil Nadu and 50 per cent of Poultry from Tamil Nadu is from this district. The Banking institutions have also a greater role in bringing up the entrepreneurs from the district. The penetration of banks among the rural and hill areas is still lacking but the southern region of the country has been concentrated the most in achieving the target.

Figure 1. Map showing Coimbatore district-Block wise



### 3.1.1. Selection of block

Out of eleven blocks (Karamadai, Annur, Periyayakkanpalayan, Sular, Thondanuthur, Madukkarai, Sulthanpet, Kinathukadavu, Pollachi north, Pollachi south,

Anamalai) of Coimbatore district, Periyankanpalayam block was purposively selected for as the study .Because the respondents have access to both banks and pawnbrokers.

### 3.2. Sampling Procedure

In order to maintain the purity of data, the study was conducted among the list of gold loan customers given by the local area bank and the pawnbrokers nearer to the study area. The distribution of respondents according to the source from where they availed gold loan is given below.

**Table 3.1. Selection of Sample Respondents**

Sl.No	Source	No.of.Respondents
1	Customers of Bank	60
2	Customers of Pawnbrokers	60
<b>Total</b>		<b>120</b>

**Table 3.2. Number of Respondents Interviewed Under the Selected Study Area**

Name of the Block	Name of the Revenue Village	No of respondents
<b>Periyankanpalayam Block</b>	24 -Veerapandi	30
	Chinna thadagam	30
	Nanjundapuram	30
	Somayampalayam	30
	<b>Total</b>	<b>120</b>

### 3.3. Collection of data

Taking into consideration the objectives of the study, a well – structured interview schedule was prepared after perusal of available literature and thorough consultation with extension specialists.

The data collection was done with the use of a well structured and pre tested interview schedule for customers covering all the specific objectives. When the investigator contacts the respondents and collects information by questioning them, it is known as interview method. The interview schedule comprises of three parts. The first part of the interview deals with collection of details regarding socio-economic profile of the respondents. The second part of the interview deals with finding the constraints faced by the farmers in approaching bank for gold loans. Final part of the interview deals with identifying the competitive advantage perceived by the farmers in getting gold loan through pawn brokers over banks.

### **3.4. Method of Analysis**

#### **Per centage analysis**

Percentage analysis was used in descriptive analysis for making simple comparisons. For calculating percentage the frequency of the particular cell was multiplied by 100 and divided by the total number of respondents pertaining to particular cell. Percentage was corrected to two decimal places.

#### **Garrett Ranking Technique**

Garrett's ranking technique is used to identify the factors that limit the respondents not having a bank account.

$$\text{Per cent position} = 100 (R_{ij} - 0.50) / N_j$$

$R_{ij}$  – rank given for  $i^{\text{th}}$  item and  $j^{\text{th}}$  individual.

$N_j$  – number of items ranked by  $j^{\text{th}}$  individual.

By referring the Garrett table, the per cent position estimated was converted in to score. Then for each factor, the scores of various respondents were added and the mean score was calculated. The factors with the highest mean score was considered to be the most important factor.

#### **Service Quality Analysis (Gap analysis)**

To analyze the service quality of banks and the pawnbrokers, a set of questions about the services of banks and pawnbrokers was constructed based on the Servqual

instruments. The statements developed are given in Table 3.3. The attributes were reliability responsiveness, assurance, empathy, tangibles, convenience, accessibility and price represents the quality of services provided to the farmers.

**Table 3.3. SERVQUAL Attributes and Statements Used for Service Quality Analysis**

Attributes	Statements
Reliability	Providing adequate credit Sincere in solving problem Image and Reputation of the bank/pawnbroker Providing timely credit Accuracy in records
Responsiveness	Information on delivery of loan Helping the farmers in loan documentation process
Convenience	Loan procedures and documentation process Processing time
Assurance	Trustworthiness Farmers feel comfortable to interact Employees are well aware of schemes
Tangibles	Use of modern equipment and décor of the office Infrastructure facility Communication materials
Empathy	Individual attention Convenient working hours Employees understand the specific needs of farmers
Accessibility	Cordial relationship is there between farmers and bank/pawnbroker Ease of obtaining gold loan
Price	Interest rate on gold loan

One of the objectives of this study involves the use of SERVQUAL instrument in order to ascertain any actual or perceived gaps between farmer's expectation and satisfaction of the service offered. Service quality is analyzed considering the extent to which a service meets farmer's needs or expectations. The expectation and perception level was measured by using Likert scaling method.

**Table 3.4. Five Point Likert Scale used in Service Quality Analysis**

S. No	Performance level	Score
1.	Highly satisfied / highly important	5
2.	Satisfied / Important	4
3.	Neutral	3
4.	Dissatisfaction / Less important	2
5.	Highly dissatisfied / not needed	1

The mean score of each attribute was calculated. Using the mean score, customer perception level and expectation were interpreted by calculating the paired t- test values.

#### **Paired t-test**

In this study, the paired sample t-test is employed to examine the statistical significance of the difference between expectation and perception for every dimension of the service quality measure.

$$t = (\bar{X} - \bar{Y}) \sqrt{\frac{n(n-1)}{\sum_{i=1}^n (\hat{X}_i - \hat{Y}_i)^2}}$$

The paired t-test compares two paired groups. It calculates the difference between above set of pairs, and analyzes the list of differences. If the expectation is larger, then the difference is positive and if the perception is larger, then the difference is negative. The calculated value of 't' is compared with its table value at a given level of significance.

## CHAPTER IV

### DESCRIPTION OF THE STUDY AREA

The results of any research cannot be properly understood, unless the background information such as physical, social and economic condition of the region is highlighted. This will help in correlating the results with the actual field condition. Hence, information regarding the geographical location, rainfall distribution, sources of irrigation, land use pattern, cropping pattern, demography and general environmental features of the study area are discussed here.

#### 4.1. Location and Topography

Coimbatore district is situated between  $10^{\circ} 10'$  and  $11^{\circ} 30'$  of the northern latitude and between  $76^{\circ} 40'$  and  $77^{\circ} 30'$  of the eastern longitude. Coimbatore is located at an altitude of 1,426 feet above mean sea level and at the head of the Palghat gap of Western Ghats.

Coimbatore district is bounded by Dindugul district in the South, Kerala State in the West, The Nilgiris in the North and Erode district in the East. The total geographical area of the district is 7470.79 Sq.Km.

The district is filled with naturally diverse eco-system such as hills, plains, forests, evergreen fields, drought prone areas, river bodies, tanks, etc. The district divided into 2 revenue divisions, 6 taluks, 12 blocks and 335 revenue villages. Out of two revenue divisions, Coimbatore division is industrially developed one.

#### 4.2. Climate and Rainfall

The district enjoys an even and pleasant climate throughout the year and it receives rain both in the South–West and North-East monsoons. The district experiences, normally, a minimum temperature of  $19.2^{\circ}\text{C}$  in winter and  $22.1^{\circ}\text{C}$  in summer and a maximum temperature of  $32.2^{\circ}\text{C}$  in winter and  $34.7^{\circ}\text{C}$  in summer seasons. Average annual rainfall is 61.22 cm and average annual rainy days are 44.5. The rainfall pattern in Coimbatore district is presented in Table 4.1.

**Table 4.1. Rainfall Pattern in Coimbatore district 2007-2008**

Season	Months	Rainfall (mm)			
		Coimbatore district	Pollachi taluk	Coimbatore north & south taluk	Mettupalayam taluk
Southwest monsoon	June-September	196.5 (28.8)	397 (47.2)	182 (28.4)	146 (18.3)
North east monsoon	October – December	313.6 (45.9)	283 (33.6)	314 (49.1)	407 (51.1)
Winter season	January-February	20.6 (3.1)	12 (1.4)	12 (1.9)	54 (6.8)
Summer season	March-may	151.8 (22.2)	150 (17.8)	132 (20.6)	190 (23.8)
Mean annual rainfall		677.7 (100)	842 (100)	640 (100)	797 (100)

(Figures in parentheses indicate percentage to the total)

Source: Assistant Director of Statistics, Coimbatore.

Mean annual rainfall of district during 2008-09 was 677.7 mm. Annual rainfall in Mettupalayam and Pollachi taluks were above the district mean annual rainfall. Maximum share of the annual rainfall was contributed by North-East monsoon (45.9 per cent) followed by South-west monsoon (28.8 per cent). The special feature of Pollachi taluk was that it received maximum rainfall during South-West monsoon while other taluks received maximum share of rainfall during North- east monsoon.

### 4.3. Demographic Details

The demographic details of the Coimbatore district according to 2011 census are given in Table 4.2.

**Table 4.2. Demographic particulars of Coimbatore district**

<b>S.No</b>	<b>Particulars</b>	<b>Number</b>
1.	Male population (in numbers)	1,735,362
2.	Female population (in numbers)	1,737,216
3.	Total population (in numbers)	3,472,578
4.	Density of population (per sq. km)	748
5.	Literates (in numbers)	2,678,637
6.	Proportion of workers to total population (in percentage)	46.30

(Source: The Assistant Directorate of Statistics, Coimbatore).

The Population of Coimbatore district was 3.4 million spread over an area of 7470.79 sq. km. Density of population was 748 persons per sq.km. with a literate population of 26.78 lakhs. The working population accounted for 46.30 per cent of the total population. The rural and urban population details of the Coimbatore district are given in Table 4.3.

**Table 4.3. Population details of Coimbatore district as per 2011 census**

<b>S.No</b>	<b>Particulars</b>	<b>Number</b>	<b>Percentage</b>
1.	Rural population	1,221,456	35.17
2.	Urban population	2,251,122	64.82
3.	Total population	3,472,578	100.00

(Source: The Assistant Directorate of Statistics, Coimbatore)

Coimbatore district has a rural population of 35.17 per cent and the urban population accounted for 64.82 per cent.

#### **4.4. Literacy Rate**

The district is famous for schools, universities, engineering colleges, The details on literacy rate of population are given in Table 4.4.as per 2011 census

**Table 4.4 Literacy rate in Coimbatore**

S.No	Particulars	Number	Percentage
1.	Male literates	1,418,291	89.49
2.	Female literates	1,260,346	79.16
3.	Total literates	2,678,637	84.31

(Source: The Assistant Directorate of Statistics, Coimbatore)

The literacy rate of this district was considerably good, accounting for 84.31 percentage of the total population, among males, 89.49 per cent and among females 79.16 per cent were literates.

#### 4.5. Employment Status

The total workers of Coimbatore district was 19, 77,612 accounting for 46.30 per cent of total population. There were about 92 per cent main workers and 7.55 per cent marginal workers of total workers. Non workers population accounted for 53.70 per cent of total population. The employment details of Coimbatore district are given in Table 4.5.

**Table 4.5. Employment status of Coimbatore district as per 2011 census**

S.No	Particulars	Number	Percentage
1.	Main workers	18,28,629	92.46
	a. Cultivators	1,72,107	9.41
	b. Agricultural labourers	3,36,548	18.40
	c. Household Industry	67,696	3.70
	d. Other workers	12,52,278	68.48
	Total	18,28,629	100
2.	Marginal workers	1,48,983	7.55
3.	Total workers	19,77,612	
4.	Non workers	22,94,244	

(Source: Annual Employment Report of Coimbatore District for the Year 2010, District Rural Development Agency)

#### 4.6. Land Use Pattern

Land use pattern would help to study the usage of land for various economic activities and hence, the study of it would be useful in planning the use of land resource. Land use pattern in Coimbatore district is presented in Table 4.6. Net sown area accounted for 41 per cent of the total geographical area of the district. The share of area under forest was only 21.26 per cent. The share of fallow lands was about 18 per cent, indicating that there is a scope for expanding the area under cultivation.

**Table 4.6. Land Use Pattern in the Study Area 2007-2008 (Hectares)**

S.No	Classification	Area in Hectares	Percentage to total
1.	Forest	158801	21.26
2.	Barren and un cultivable land	7475	1.00
3.	Land put to non agricultural use	108063	14.46
4.	Cultivable waste	13464	1.80
5.	Permanent Pastures and other grassing lands	85	0.01
6.	Land under miscellaneous tree crops and groves not included in net area sown	3412	0.46
7.	Current fallow lands	89325	11.96
8.	Other fallow lands	53551	7.17
9.	Net area sown	312899	41.88
10.	Geographical area according to village reports	747079	100.00
11.	Total Cropped Area	330584	
12.	Area sown more than once	17685	

Source: Assistant Director of Statistics, Coimbatore.

#### 4.7. Soil Type

The soil type influences the cropping pattern and other input requirements. Hence, the information on various soil types, their potentials and limiting factors are necessary for effective utilization of these natural resources in an optimum level. Red soil and black soil are major soil types available in the district. The soil classification of Coimbatore district is furnished in Table 4.7.

**Table 4.7. Types of soil present in the study area 2007-2008**

S.No	Type of Soil	Taluks
1.	Red Loam	Coimbatore(N&S),Mettupalayam,Pollachi.
2.	Black soil	Coimbatore(N&S),Mettupalayam,Pollachi.
3.	Sandy Coastal Alluvium	Coimbatore(N&S),Mettupalayam,
4.	Red Sandy Soil	Coimbatore (N&S).
5.	Calcareous Soil	Pollachi

Source: Soil Atlas, Coimbatore District, & Soil Survey and Land Use Organization, Coimbatore

#### 4.8. Cropping Pattern

The details of cropping pattern followed in Coimbatore district are furnished in Table 4.8. The principal crops grown in this district were ground nut, paddy, coconut, cotton, sugarcane, turmeric and so on.

Millets have occupied the major cropping area (40.47 per cent) followed by pulses occupying 11.43 per cent. Paddy accounts for 2.5 per cent of the total cropped area. Sugarcane, gingelly, groundnut and cotton account respectively 3.84, 0.64, 9.15 and 2.61 per cent. Other crops like turmeric, tobacco, curry leaf, and other flower crops occupied about 29 per cent of total cropped area.

**Table 4.8. Area under different crops in Coimbatore district 2007-2008 (Hectares)**

S.No	Particulars		Area (Ha)	Percentage to total
1.	Cereals	Paddy	6220	2.5
2.	Millets	Sorghum	77490	31.51
		Cumbu	412	0.16
		Ragi	69	0.01
		Maize	21662	8.81
		Others	41	0.007
3.	Pulses	Pulses	28111	11.43
4.	Cash crop	Sugarcane	9456	3.84
5.	Oil seeds	Gingelly	1478	0.60
		Groundnut	22515	9.15
6.	Non-food crops	Cotton	6436	2.61
7.	Other crops		71961	29.21
			Total	100

Source: Assistant Director of Statistics, Coimbatore.

#### 4.9. Sources of Irrigation

Source wise area irrigated and different sources of irrigation are presented in Table.4.9 and 4.10. The major sources of irrigation in the district are wells and canals which cover 75 per cent and 23 per cent of the irrigated area, respectively. Tanks and ponds contribute only 2 per cent to the irrigated area. The gross irrigated and net irrigated area of the district is 1.81 lakh and 1.70 lakh ha respectively. Compared to other sources, canal and tank irrigated areas show lower irrigation intensity. From the Table 4.7 the number of tanks in the district was maximum in Coimbatore South taluk (46.67 per cent) followed by Coimbatore North (23.33 per cent). The number of canals was more in Pollachi taluk (45.83 percent) followed by Coimbatore South taluk (26.2 per cent). The Prambikulam Azhiyar project has been irrigating Pollachi taluk. The share of wells was maximum in Pollachi taluk (57.58 per cent) followed by Coimbatore South taluk (15.1 per cent).

**Table 4.9. Source wise Area Irrigated 2007- 2008 (Hectares)**

Source of irrigation	Total Gross Area (ha)	Total Net Area (ha)	Irrigation Intensity
Tanks	663	555	1.19
Canal	56,327	53,991	1.04
Open wells	20,517	19,608	1.05
Tube wells	1,03,964	96,357	1.08
Supplementary wells	6,802	6,714	1.01
Other sources	0	0	0
Total irrigated area	1,81,471	1,70,511	1.06

Source: Records of the Office of the Assistant Director of Statistics, Coimbatore

**Table 4.10. Sources of Irrigation 2007-2008 (Number)**

S No.	Taluk	Tanks	Canals	Tube wells	Reservoirs	Wells
1.	Coimbatore North	7 (23.33)	-	1885 (15.36)	-	5610 (13.78)
2.	Coimbatore south	14 (46.67)	8 (33.33)	2920 (23.79)	-	6109 (15.01)
3.	Mettupalayam	3 (10.00)	7 (29.16)	1144 (9.32)	1 (14.4)	5547 (13.63)
4.	Pollachi	6 (20.00)	11 (45.83)	6326 (51.53)	3 (42.85)	23436 (57.58)
5.	Valparai	-	-	-	3 (42.85)	-
	<b>Total</b>	<b>30 (100.0)</b>	<b>24 (100.0)</b>	<b>12275 (100.0)</b>	<b>7 (100)</b>	<b>40702 (100.0)</b>

(Figures in parentheses indicate percentage to total)

Source: Records of the office of Assistant Director of Statistics, Coimbatore

#### **4.10. Area under Irrigated Crops**

The irrigated area under different crops in different taluks of Coimbatore district is presented in Table 4.11. The share of gross irrigated area to the gross cropped area in the district was 56.39 per cent. In the district, coconut accounted for 44.28 per cent of the total irrigated area, of which Pollachi accounted for 71.88 per cent. Besides coconut, paddy, sugarcane and banana are the other major crops cultivated in the district.

**Table 4.11. Irrigated Area under different crops in Coimbatore District 2007-2008**  
(Hectares)

Crops	Taluk				
	Coimbatore North	Coimbatore South	Mettupalayam	Pollachi	District
Paddy	45 (0.79)	630 (4.28)	369 (3.81)	4,439 (7.23)	17,875 (9.22)
Sugarcane	1,105 (19.12)	2,131 (14.52)	925 (9.56)	778 (1.27)	13,126 (6.77)
Coconut	2,038 (35.27)	6,140 (41.72)	889 (9.18)	44,138 (71.88)	85,819 (44.28)
Banana	592 (10.24)	784 (5.32)	1,989 (20.57)	241 (0.39)	7,317 (3.78)
Grapes	22 (0.37)	329 (2.22)	1 (0.01)	5 (0.01)	357 (0.18)
Other crops	1,977 (34.21)	4,697 (31.94)	5,501 (56.87)	11,797 (19.22)	69,309 (35.77)
Gross irrigated area	5,779 (100.00)	14,711 (100.00)	9,674 (100.00)	61,398 (100.00)	1,93,893 (100.00)

(Figures in the parentheses indicate percentage to gross irrigated area)

Source: Records of the office of Assistant Director of Statistics, Coimbatore

#### **4.11. Educational Institutions Present**

Educational institutions present in the district were presented in the table 4.12. From the table it is understood that number of schools in the district is high .around 145 higher secondary schools are present which indicate the higher level of educational background in the city. The city ranks third in number of literates present in the state.

**Table 4.12 Educational Institutions present in Coimbatore District**

Sl.No	Educational Institutions	Number
1.	Universities	4
2.	Arts and Science Colleges	51
3.	Colleges for Professional Education	
	a) Medicine 1) Allopathy	2
	2) Indian Medicine	1
	3) Homeopathy	2
	b) Engineering	19
	c) Agriculture (Forest)	1
	d) Veterinary	1
	e) Law	1
4.	Colleges for Special Education	8
5.	Pre Primary Schools	701
6.	Primary Schools	1474
7.	Middle Schools	331
8.	High Schools	129
9.	Higher Secondary Schools	145
10.	Teacher Training Institute	4

Source: District Statistical Hand Book, 2007-08.

#### **4.12. Banking in Coimbatore District**

Coimbatore is endowed with a network of banking institutions, non-banking institutions and insurance players and also a stock exchange. Being a major industrial city with large number of working population attracted all the public and private banking companies. All the insurance companies are adopting different marketing channels for

their products like network agents, bancassurance (sale of insurance products in a bank), corporate agents, brokers, the internet and direct selling. There are 447 bank offices and 185 primary co-operative banks. The major banks in Coimbatore are Indian Overseas Bank, Bank of India, and State Bank of India, Central Bank of India, Bank of Baroda, IDBI Bank Ltd, Indian Bank, Canara Bank and ICICI Bank. The financial institutions make a significant contribution towards the development of business and industrial activities in the economy. The list of financial institutions and their number is given in Table 4.13.

**Table 4.13 Banks and insurance offices in Coimbatore district**

<b>S.No</b>	<b>Banks and Insurance Offices</b>	<b>Numbers</b>
1.	Bank Offices	454
2.	Primary Co-op. Banks	185
3.	Insurance	
	Offices	26
	Policies Issued	375196
	Sum Assured	3586

(Source: 5<sup>th</sup> Economic Census, Ministry of Statistics and Programme Implementation, 2005).

## CHAPTER V

### RESULTS AND DISCUSSION

By the way of accomplishment of the objectives set forth for the study on **“A Comparative Study on the Perception of Farmers in Availing Gold Loan from Pawn Brokers and Banks in Periyayakkanpalayam Block of Coimbatore District”**, the results of the study and discussion are presented in this chapter under three broad sections. In the first section socio-economic characteristics of the respondents were presented. In the second section, the respondents were studied according to the awareness towards financial institutions that provide gold loan, source of information about gold loan and its interest rates, purpose of availing gold loan, constraints in availing gold loan and comparative advantage of availing gold loan from pawnbrokers than banks were studied. Finally, the factors affecting the respondents from availing gold loan from bank were studied and service quality of the financial institutions (bank and pawnbrokers) and service quality gap was analysed.

#### **5.1 General characteristics of the account holders**

In the present study, it is very important to scan the socio-economic profile of the sample farms as they would also act as causes for their financial ability, financial knowledge and it helps to provide the necessary background information about the farming community in Periyayakkanpalayam block of Coimbatore district. Understanding of these characteristics of sample respondents is essential in order to answer the question as to whether they are likely to adopt the financial services provided and that are to be provided. The general characteristics of the sample account holders include age, sex, farm size, family details, annual income and educational status which are linked to the core research problem of this study that the importance of banking habits.

##### **5.1.1 Distribution of respondents according to gender**

Gender, that is socially constructed relations between men and women, is an organizing element of existing farming systems worldwide and a determining factor of ongoing agricultural restructuring. Gender has proven to be an essential variable for

analysing the roles, responsibilities, constraints, opportunities, incentives, costs, and benefits in agriculture. The proportion of women in agricultural production and postharvest activities ranges from 20 to 70 per cent. Their involvement is increasing in many developing countries, particularly with the development of export-oriented farming, which is associated with a growing demand for female labor, including migrant workers. A general assumption is that, the information from men rarely gets passed on to others whereas women pass the information much more frequently to other farmers. Gender details were used to assess the gender impact in availing credit. Gender is one of the discriminate factors which have a greater influence in case of women empowerment. Female in home are considered as weak in financial position as they do not earn but women in home are the ware house of gold assets. They store and tend to bring valuable assets in order to help in the time of financial crisis. The results obtained from the survey were tabulated in the table 5.1.

**Table 5.1 Distribution of respondents according to Gender**

Sl.No	Gender	Number of Households	
		Customers of Bank	Customers of Pawnbrokers
1.	Male	43 (71.67)	35 (58.33)
2.	Female	17 (28.33)	25 (41.67)
	Total	60 (100.00)	60 (100.00)

(Figures in parentheses indicates per cent to total)

From the above table, it could be concluded that the number of female respondents availing gold loan from the pawnbrokers was comparatively high. Of the total sample size 41.67 per cent of them were female and 58.33 per cent constitute male respondents. In case of bank, the number as well as percentage of female respondents is quite lesser to that of the customers of pawnbrokers. The reason behind the high numbers

of female availing credit from pawnbroker was due to lack of awareness towards the bank and the banking procedures which are binding rural women from availing formal credit. Male respondents constitute a higher group in both the cases i.e. 72 per cent from bank and 58 per cent from pawn broker.

### 5.1.2 Age distribution of the sample respondents

Age was operationalised as the number of completed years of the respondents at the time of enquiry and the chronological age was taken for the measure. Age of the sample respondents has been found to be an important determinant of financial decisions. Age would reveal the mental maturity of an individual to take decisions for achieving his needs. From the age of 30, it has been classified for every 10 years period where changes are expected in the regular interval in all the aspect of his life. The distribution of age of sample respondents were presented in Table 5.2.

**Table 5.2 Age distribution of sample respondents**

S.No	Distribution	Customers of Bank	Customers of Pawnbrokers
1.	Below 30	3 (5.00)	6 (10.00)
2.	30-40	18 (30.00)	21 (35.00)
3.	41-50	17 (28.33)	18 (30.00)
4.	51-60	16 (26.67)	12 (20.00)
5.	Above 60	6 (10.00)	3 (5.00)
Total		60 (100.00)	60 (100.00)

(Figures in parentheses indicates per cent to total)

The maximum number of customers who go for gold loan in case of both bank and pawn broker lies between 30-40 with 30 per cent and 35 per cent, respectively. In the age group of 41-50 and 51-60, bank customers account for 28.33 per cent and 26.67 per cent respectively, where as of pawnbroker customers account for 30 per cent and 20 per cent respectively. But there was only 15 per cent customers found in the age group below 30 years and above 60 years availing gold loan both from pawnbrokers and banks.

### 5.1.3 Educational status of the sample respondents

The standard of education moulds the farmer's response to improved technology and market performance, since enlightened farmers have a higher motivation to take effective managerial decisions in production, business and to make credit decisions. Education is the process of bringing about desirable changes in human behaviour. Educational status of an individual plays a vital role in enhancing his knowledge level by motivating him towards knowing and understanding new things. Education helps in gaining more knowledge on the banking habits and helps to follow the procedures. The illiterate people find difficult in carrying out the banking operations and usually tend to operate with the local money lenders and pawn brokers. The data collected on the basis of their educational status were presented in the table 5.3.

**Table 5.3 Distribution of respondents according to educational status**

Sl.No	Education (No of Years)	Customers of Bank	Customers of Pawnbrokers
1.	Illiterate (0)	2 (3.33)	31 (51.67)
2.	Primary Education (1-8)	21 (35.00)	10 (16.67)
3.	Secondary Education (9-12)	27 (45.00)	14 (23.33)
4.	Higher Education (Above 12)	10 (16.67)	5 (8.33)
Total		60 (100.00)	60 (100.00)

(Figures in parentheses indicates per cent to total)

From the above table, it could be opined that, only 3 per cent of the respondents were illiterates among the sample from the bank. Among the literates, 35 per cent had primary education where as 45 per cent possessed secondary education and 16.67 per cent were graduates. But the scenario in the case of pawn broker was reverse where more than 50 per cent (51.67) were illiterates and among the literates 16.67 per cent possessed primary education, 23.33 per cent possessed secondary education and only 8.33 per cent were graduates.

#### 5.1.4 Distribution of respondents according to their land holding size

Farm size of the sample households is an important factor for assessing the investment capacity of the farmers and the farm income to effective credit decisions. The farm size is very much important in case of deciding the capital required for farm operations. Most of the farm operations carried was on the basis of credit. The land holding size and crop under cultivation is the major determinant of borrowing power of the farmers. The land holding pattern of the households under different categories were presented in Table 5.4.

**Table 5.4 Distribution of respondents according to their land holding size**

S.No	Category of farm size	Customers of Bank		Customers of Pawnbrokers	
		No. of farmers	Average size of holding (ha)	No. of farmers	Average size of holding (ha)
1.	Marginal farmers	0 (0.00)	0	17 (28.33)	1
2.	Small farmers	20 (33.33)	3.02	26 (43.33)	2.24
3.	Medium farmers	34 (56.67)	6.64	15 (25.00)	7.03
4.	Large farmers	6 (10.00)	11.91	2 (3.33)	11.5
	Total	60 (100.00)	5.96	60 (100.00)	3.40

(Figures in parentheses indicates per cent to total)

From the table it could be concluded that the customers belonging to bank were medium farmers to the larger extent which comprised of 56.67 per cent followed by the category of small and large farmers with 33.33 per cent and 10 per cent respectively. But in the case of the customers of pawnbrokers, the major part of the customers fall under small farmers of 43.33 per cent and marginal farmers of 28.33 per cent. The medium and large farmers account for 25 per cent and 3.33 per cent respectively. The average land holding size of the customers of bank were 5.96 hectares and of the pawn broker were 3.40 hectares. This gives us conceptions that majority of the customers belonging to marginal and small farmers go towards pawn brokers.

### 5.1.5 Distribution of respondents according to family size

The size of the family influences the amount of borrowing. The family size of the households has greater influence on their savings habit where saving power of an individual decreases as the family size increases. In the beginning family and expanding family there comes lot of activities that has to be carried out in form of education, marriage, etc., The family size was classified as below 4 persons, 4-6 persons and above 6 persons. The average family size of the sample respondents were presented in Table 5.5.

**Table 5.5 Distribution of respondents according to their family size**

S.No	Family size (no of persons)	Customers of Bank		Customers of Pawnbrokers	
		Number	Average	Number	Average
1.	Below 4	39 (65.00)	2.9	25 (41.67)	3.36
2.	4 to 6	17 (28.33)	5.35	26 (43.33)	5.5
3.	Above 6	4 (6.67)	7	9 (15.00)	7.44
	Total	60 (100.00)	3.91	60 (100.00)	4.9

(Figures in parentheses indicates per cent to total)

The family size of the respondents may be one of the reasons for the customers to go for the financial institutions. The average family size of the respondents of bank and

the pawn broker were 3.91 and 4.9 respectively. The major portion of family size of the respondents of bank was below 4 persons with an average of 2.9 comprising 65 per cent followed by 4 to 6 persons of 28.33 per cent and above 6 persons was 6.67 per cent. The customers of pawn broker in the category of below 4 persons and 4 to 6 persons were evenly distributed with 41.67 per cent and 43.33 per cent. The family sizes above 6 persons were 15 per cent with an average of 7.44.

### 5.1.6 Distribution of respondents according to their annual income

The Annual income of the sample households will help to analyze the purchasing power regarding new asset creation, repayment of credit availed and capital generation activities. The distribution of farmers based on their income obtained through farm operations were presented in Table 5.6.

**Table 5.6 Distribution of respondents according to their annual income**

(Rs/Annum)

S.No	Annual Income (Rs.)	Number of customers			
		Bank Customers	Average (Rs/annum)	Pawnbroker Customers	Average (Rs.)
1.	Up to 1 Lakh	12 (20.00)	79,361.11	44 (73.33)	63,250
2.	1 -2 Lakhs	30 (50.00)	1,67,965	12 (20.00)	1,38,295
3.	Above 2 Lakhs	18 (30.00)	2,32,471	4 (6.67)	2,04,583
Total		60 (100.00)	1,69,596	60 (100.00)	81014.533

(Figures in parentheses indicates per cent to total)

From the table, it could be concluded that the income of the customers of banks and pawn brokers does not have a significant difference. As income of the farmers is based on the size of land holding they possess, there exist similarities in their income.

The percentage of people constituting the share comprises a large difference in both the cases. Among the customers of pawnbrokers nearly 73 per cent of them only having an income below Rs. 1 Lakh followed by Rs. 1 Lakh to Rs. 2 Lakhs (20 per cent) and above Rs. 2 lakhs comprise only 6.67 per cent. Whereas in the customers of banks 50 per cent of them are earning up to Rs. 1 Lakh to Rs. 2 Lakh followed by 30 per cent (above Rs. 2 Lakhs) and only 20 per cent earn below Rs. 1 lakh. The average annual income of the customers belonging to bank was Rs. 1, 69,596 and of pawn broker was Rs. 81,014. This difference in the annual income was due to the percentage of people comprising the customers of the bank were small and large farmers where the customers of pawn broker were marginal farmers.

## **5.2 Comparative Advantage of Pawnbrokers over Banks**

The comparative advantage of pawnbrokers over the banks was studied as it was considered to be most important in setting policies and suggestions. The factors such as account holding in the bank, reasons for not holding a bank account, awareness about the institutions providing gold loan and interest rates , distance of bank from the respondent households, reasons for availing gold loan, and preference of institutional and non-institutional source for credit.

### **5.2.1 Distribution of respondents based on account holding in banks**

After the implementation of financial inclusion plan, it is the responsibility of the bank to bring in account holders and make them use of the services provided through availing the bank account. To receive a loan from the bank, it is a prerequisite for an individual to hold an account. The accessibility of bank accounts by the respondents is presented in the following table 5.7

**Table 5.7 Distribution of respondents based on account holding in banks**

S.No	Category	Customers of Bank	Customers of Pawnbrokers
1.	Account holders	60 (100.00)	39 (65.00)
2.	Non account holders	0 (0.00)	21 (35.00)
Total		60 (100.00)	60 (100.00)

(Figures in parentheses represent per cent to total)

Of the sample respondents, the customers of the bank possess the basic account for operation through which they would have availed the loan. But in case of the pawn broker only 65 per cent of the people hold a bank account where the rest of the people do not hold an account. This may be one of the limitations of the customers in availing a gold loan from the bank.

### 5.2.2 Reasons for not having bank account

The customers who do not hold a bank account were asked for the reasons for not having a bank account and were analysed through Garrett Ranking Technique. The reasons thus given for ranking were 'insufficient income', 'distance of bank branch', 'anticipated rejection', 'not interested' and 'lack of awareness towards banking services'. The results are presented in the table 5.8.

**Table 5.8 Reasons for not having a bank account****(N=21)**

Sl.No	Reasons	Number of house holds	
		Mean Score	Rank
1.	Insufficient income	80.12	1
2.	Not interested	78.24	2
3.	Lack of awareness towards banking services	73.61	3
4.	Anticipated rejection	69.85	4
5.	Distance of bank branch	67.26	5

The respondents were asked to rank the reasons for not opening the account according to the priority of importance. The major reason behind not opening the account was insufficient income. As per the land holding pattern studied from the point of non-account holders, most of them were marginal farmers whose annual income falls below 50,000. Some people were not interested in saving money in banks which was given second priority by people. Many people have come to know about schemes in the bank only after the implementation of financial inclusion plan; hence awareness of banking products was less.

### **5.2.3 Awareness towards various formal and informal financial institutions and its services by the sample respondents**

The rural people generally lack awareness towards the financial institutions due to lack of communication and information access. In order to know the awareness towards financial institutions providing gold loan by the rural households, the details on awareness were collected and presented in Table 5.9.

**Table 5.9 Awareness about financial institutions providing gold loan**

<b>S.No</b>	<b>Respondents</b>	<b>Awareness</b>	<b>Bank</b>	<b>Pawnbroker</b>	<b>Non-Banking Financial Institutions</b>
1.	Customers of Bank	Aware	60 (100.00)	48 (80.00)	43 (71.66)
		Unaware	0 (0.00)	12 (20.00)	17 (28.33)
2.	Customers of Pawnbroker	Aware	39 (65.00)	60 (100.00)	22 (36.67)
		Unaware	21 (35.00)	0 (0.00)	38 (63.33)

(Figures in parentheses indicates per cent total)

The awareness of the customers towards bank, pawn broker and non banking financial institutions were 100, 80 and 71.66 per cent respectively and the people who

were unaware about pawn broker were 20 per cent and about non banking financial institutions were 28.33 per cent. The awareness of the customers of pawn brokers towards bank was only 65 per cent, and that towards non-banking financial institution was 36.67 per cent and people who were unaware of the bank were 35 per cent and that of non-banking financial institutions were 63.33 per cent. This implies that the customers of pawn brokers to major extent were not aware towards formal financial institutions which provide gold loans.

#### **5.2.4 Awareness towards interest rate levied by bank for gold loan**

Most of the people typically consider that bank is meant for the sophisticated customers segment of the society. Hence, the awareness towards the interest levied by the bank was recorded and presented in Table 5.10.

**Table 5.10 Awareness towards interest rate levied by bank for gold loan**

<b>S.No</b>	<b>Awareness</b>	<b>Customers of Bank</b>	<b>Customers of Pawnbrokers</b>
1.	Aware about the interest rate	47 (78.33)	12 (20.00)
2.	Not aware of interest rate	0 (0.00)	32 (53.33)
3.	Moderately aware	13 (21.67)	16 (26.67)
Total		60 (100.00)	60 (100.00)

The results give an idea about the awareness of the customers towards the interest levied by the financial institutions. Most of the customers of the bank were aware and moderately aware about the interest charged by banks. But in case of pawn brokers only 20 per cent of them were aware about the interest rate imposed by the pawn brokers.

### 5.2.5 Source of information about financial institutions

The source of information through which the people come to know about the financial institutions was asked to understand the source through which people get more access to banking schemes and procedures. The following five channels through which the respondents come to gather knowledge on financial institutions was asked to the respondents. The sources or channels given were family members, neighbours, friends and relatives, word of mouth and other sources respectively. Source of information about various financial institutions providing gold loan were presented in Table 5.11.

**Table 5.11 Source of information about various financial institutions providing gold loan**

S.No	Source	Customers of Bank		Customers of Pawnbrokers	
		Number	Percentage	Number	Percentage
1.	Family members	22	36.67	10	16.67
2.	Neighbours	18	30.00	18	30.00
3.	Friends and relatives	2	3.33	11	18.33
4.	Word of mouth	4	6.67	13	21.67
5.	Others	14	23.33	8	13.33
Total		60	100.00	60	100.00

The source of information regarding the formal financial institutions were taken and the results reveal that that the major source for availing information for banks and pawn broker were family members with 30 per cent and neighbours of 30 per cent, respectively. The bank customer's source of information was followed by neighbours and other mass media such as advertisement on television, pamphlets, etc., with 30 per cent and 23.33 per cent on the scale. The friends and relatives contribution for the source of information was negligible in availing information. The customers of pawn broker's source of information was followed by word of mouth, friends and relatives, and family members to a smaller extent were other sources of information was only to a negligible amount.

### 5.2.6 Habit of prior planning

Habit of prior planning for the expenditures to come makes easier for the customers to withstand at the time of emergency and makes them available with liquidity. But in case of agriculture, prior planning is comparatively difficult as it mainly depends on favourable season for production and thus the planning capacity of the customers were collected and presented in Table 5.12

**Table 5.12 Habit of prior planning**

S.No	Habit	No of respondents	
		Customers of Bank	Customers of Pawnbrokers
1.	Prior planning	39 (65.00)	18 (30.00)
2.	No prior planning	7 (11.66)	27 (45.00)
3.	Occasional planning	14 (23.33)	15 (25.00)
Total		60 (100.00)	60 (100.00)

(Figures in parentheses indicates per cent to total)

The planning habit of the farmers was very minimum. The planning actions were carried out only for long term inputs whereas 65 per cent have the habit of planning among the bank customers but only 30 per cent of the customers of pawn brokers have the planning habit. Nearly 45 per cent of the customers of pawn brokers do not plan for their credit requirement and 25 per cent of them plan sometimes for their future credit need. The customers of the bank of 23.33 per cent plan sometimes and 11.66 per cent do not plan for their expenditures. Thus the planning habit of customers from bank was high when compared to the customers from pawnbrokers.

### 5.2.7 Purpose of availing gold loan

The purpose of availing gold loan was classified as to purchase agricultural input, short term asset, long term asset and others reasons such as to pay debts, and emergency needs. The respondents were asked about the purpose for which they availed gold loan and were presented in Table 5.13.

**Table 5.13 Purpose of availing gold loan**

S.No	Purpose	Customers of Bank		Customers of Pawnbrokers	
		Number	per cent	Number	Per cent
1.	To purchase agricultural inputs	6	10.00	18	30.00
2.	Short term asset	21	35.00	12	20.00
3.	Long term asset	22	36.67	8	13.33
4.	Others				
	1. To pay debts	6	10.00	8	13.33
	2. Emergency needs	5	8.33	14	23.33
Total		60	100.00	60	100.00

From the above table, it could be inferred that the major reasons behind the customers of the bank go in for gold loan was to buy long term assets by 36.66 per cent, followed by short term assets (35 per cent) and agricultural inputs like seeds and pesticides (10 per cent). In case of pawn broker 30 per cent were obtaining gold loan to purchase agricultural inputs followed by other reasons were to pay debts and emergency needs to the tune of 13.33 per cent and 23.33 per cent, respectively. Short term asset and long term asset were 20 per cent and 13.33 per cent respectively. The higher the amount there is movement towards the bank and lower the amount they move to pawnbrokers.

### 5.2.7.1 Reasons for availing gold loan from pawnbrokers

The reasons for availing gold loan from the pawnbrokers were recorded from the customers of the pawnbrokers, in order to know the advantages perceived by the customers of pawnbrokers over banks. The following reasons such as, easy approachability, quick processing and timely sanctioning of loan, higher loan amount per gram of gold, ignoring customers small loan requirements by banks, distance of pawnbroker is accessible, lack of account in bank and flexible repayment schedule were given for ranking. The scores were subjected to Garret ranking technique and the results obtained were presented in the table 5.14.

**Table 5.14 Reasons for availing gold loan from pawnbrokers (N=60)**

S.No	Reasons	Customers of Pawnbrokers	
		Mean	Rank
1.	Lack of account in bank	88.56	1
2.	Processing time and timely sanction of loan	87.45	2
3.	Easy approachability	84.56	3
4.	Higher loan amount per gram of gold	81.27	4
5.	Distance of pawnbroker is accessible	80.05	5
6.	Flexible repayment schedule	79.63	6
7.	Ignoring customers small loan requirements by banks	78.89	7

The lack of bank account was ranked first in the reasons for availing gold loan from pawnbrokers with a mean score of 88.56, followed by processing time and timely sanction of loan (87.45), easy approachability (84.56), higher loan amount per gram of gold (81.27), distance of pawnbroker is accessible (80.05), flexible repayment schedule (79.63) and ignoring customers small loan requirements by banks (78.89). It could be inferred that lack of bank account was the major problem in getting loan from the bank

where getting loan through pawn broker doesn't require any documents. The processing time of banks was higher where emergency needs cannot be met through bank loan. The risk associated with the banks was the paper works associated in availing loans.

### 5.2.7.2 Reasons for availing gold loan from bank

The reasons for availing gold loan from the bank were recorded from the customers of the bank, in order to know the advantages perceived by the customers of bank. The following reasons such as approachability, availability of technical guidance, providing huge scale of finance, safety to the mortgaged property, reasonable interest rate, quick processing and timely sanctioning of loan and flexible repayment schedule were given for ranking. The scores were subjected to Garrett ranking technique and the results obtained were presented in Table 5.15.

**Table 5.15 Reasons for availing gold loan from bank**

S.No	Reasons	Customers of Bank	
		Mean	Rank
1.	Reasonable interest rate	90.67	1
2.	Safety to the mortgaged property	88.23	2
3.	Providing huge scale of finance	87.88	3
4.	Availability of technical guidance	87.01	4
5.	Approachability	85.20	5
6.	Quick processing and timely sanction of loan	84.56	6
7.	Flexible repayment schedule	81.49	7

The reasonable rate of interest with a mean score of 90.67 is ranked first in the reasons for availing loan from customers of the bank followed by safety for mortgaged property (88.23), providing huge scale of finance (87.88), availability of technical guidance (87.01), approachability (85.20), quick processing and timely sanctioning of loan (84.56) and flexible repayment schedule (81.49). It could be inferred that availing loan from a bank can help the people to get out of the huge interest levied by the pawnbrokers.

### 5.2.8 Distribution of respondents according to distance from bank

Distance of the bank is one of the major causes for the respondents to avail credit from nearby sources such as money lenders, relatives, friends and neighbours. They are available at the very time of emergency. Hence, distance of the bank from the residents of the sample respondents is calculated as the actual measure and presented in the table 5.16.

**Table 5.16 Distribution of respondents according to distance from bank**

S.No	Distance (Km)	Customers of Bank		Customers of Pawnbrokers	
		Number	Per cent	Number	Per cent
1.	Below 2	15	12.50	30	25.00
2.	2-5	22	18.33	45	37.50
3.	5-10	55	48.33	21	17.50
4.	Above 10	28	23.33	12	10.00
Total		60	100.00	60	100.00

From the table it could be concluded that the distance of the pawnbroker was comparatively less to that of the distance of the bank. The average distance of the bank for the sample respondents was 7.95 km whereas for the pawnbroker it was 4.06 km. The numbers of respondents situated nearer to the pawnbroker below 5 km constitute for 62 per cent of the respondents, below 2 km and 2-5 km was about 25 per cent and 37.5 per cent, respectively. The respondents situated below 5 km from the bank were nearly 30 per cent, of which 12.5 per cent were situated within 2 km and 18 per cent between 2-5 km. A large sample around 71 per cent was situated above 5 km of which 23 per cent of them situated above 10 km.

### 5.2.9 Preference of institutional and non-institutional credit source

Among the various available institutional and non-institutional credit source, each respondents have their own choice of preference for availing credit. The respondents were given a set of institutional and non-institutional credit sources which were readily

available for availing credit such as the bank, Co-operative Societies, pawnbroker, money lender and neighbours and relatives and were ranked according to their preference. The responses were carried through Garret ranking technique and the results were tabulated below in Table.5.17.

**Table 5.17 Preference of institutional and non-institutional credit source**

S.No	Financial Institutions	Customers of Bank		Customers of Pawnbrokers	
		Mean	Rank	Mean	Rank
1.	Bank	89.75	1	74.36	6
2.	Cooperative societies	85.66	2	81.05	3
3.	NBFC's	84.78	3	76.27	5
4.	Neighbours and relatives	81.46	4	85.43	1
5.	Pawn Broker	78.65	5	83.77	2
6.	Local Money Lender	77.44	6	78.56	4

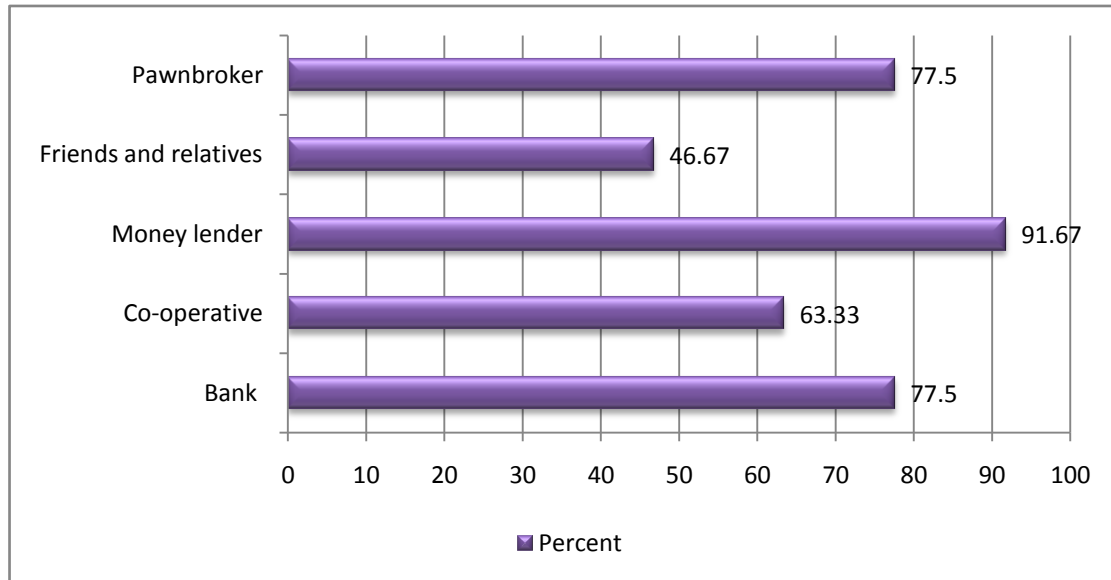
From the above table it is found that for the customers of the bank, the most preferred financial institutions was bank with a mean score of 89.75 followed by co-operative societies (85.66), NBFC (84.66), neighbours and relatives (81.46), pawn broker (78.65) and local money lender (77.44).whereas for the customers of pawn brokers the most preferred source was neighbours and relatives with a mean score of 85.43 followed by pawnbrokers (83.77), cooperative societies (81.05), local money lenders (78.56), NBFC's (76.27) and bank (74.36).

### **5.2.10 Accessibility of Farmers to Various Credit Sources**

It is important to know the accessibility of credit sources of farmers about the in financial institutions. The farmers are generally void of access even if they posses awareness about the credit sources. This is due to the procedures that are followed in the formal financial institutions and lack of identity that are to be provided by them at the time of availing credit. Even in case of co-operative societies, it is necessary for the famer to be a member with minimum authentication. Hence, the farmers were asked

about the accessibility of the various financial institutions. The various financial sources given were the bank, co-operative societies, friends and relatives, pawnbroker and money lenders and the results were presented in the following figure 2.

**Figure 2 Accessibility of Farmers to Various Credit Sources (n=120)**



The accessibility to various financial institutions by the sample respondents shows that the opportunities available to get credit. From the figure it could be inferred that 91.67 per cent of the total sample respondents have accessibility to money lenders and 77.5 per cent of them to pawnbrokers. Only 46.67 per cent and 63.33 per cent of them have access to bank and co-operative societies. This gives a conclusion that people were more accessible towards informal financial institutions rather to the financial institutions.

### **5.2.11 Comparison of Satisfaction Level over the Activities of Banks and Pawnbrokers**

The customers have various views and ideas in stepping into a financial decision. The comparative advantage and customer satisfaction is the major component in achieving more customers towards the business. Some of the factors required by the customers were flexibility, processing time, procedures to access gold loan, monthly interest, safety for mortgaged loan, individual identity, accessibility and repayment. The degree of satisfaction was given such as highly satisfied, satisfied, neutral, dissatisfied and highly dissatisfied with a weighing of five, four, three, two and one,

respectively. The scores above 3 have higher level of satisfaction, below 3 have lower level of satisfaction. The degree of satisfaction based on the scores were presented in Table 5.18.

**Table 5.18 Comparison of satisfaction level over the activities of banks and pawnbrokers**

S. No	Particulars	Respondents	HS	S	N	DS	HDS	Mean
1.	Flexibility	Bank	2 (3.33)	10 (16.67)	9 (15.00)	16 (26.66)	23 (38.33)	2.13
		Pawn Broker	27 (45.00)	18 (30.00)	5 (8.33)	3 (5.00)	7 (11.66)	3.91
2.	Processing time	Bank	3 (5.00)	7 (11.67)	12 (20.00)	17 (28.33)	21 (35.00)	2.23
		Pawn Broker	17 (28.33)	31 (51.67)	9 (15.00)	3 (5.00)	0 (0.00)	4.03
3.	Procedures to access gold loan	Bank	3 (5.00)	8 (13.33)	14 (23.33)	25 (41.67)	10 (16.66)	2.48
		Pawn Broker	28 (46.67)	12 (20.00)	18 (30.00)	2 (3.33)	0 (0.00)	4.10
4.	Monthly interest	Bank	18 (30.00)	21 (35.00)	8 (13.33)	7 (11.67)	6 (10.00)	3.98
		Pawn Broker	0 (0.00)	3 (5.00)	12 (20.00)	19 (31.66)	26 (43.67)	1.70
5.	Safety for mortgaged gold	Bank	32 (52.33)	16 (26.67)	10 (16.67)	2 (3.33)	0 (0.00)	4.30
		Pawn Broker	5 (8.33)	21 (35.00)	19 (31.67)	9 (15.00)	6 (10.00)	3.16
6.	Individual identity	Bank	6 (10.00)	4 (6.67)	13 (21.67)	16 (26.67)	21 (35.00)	2.30
		Pawn Broker	17 (28.33)	28 (46.67)	4 (6.67)	8 (13.33)	3 (5.00)	3.80
7.	Loan Amount per gram of gold	Bank	11 (18.33)	2 (3.33)	18 (30.00)	5 (8.33)	24 (40.00)	2.50
		Pawn Broker	28 (46.67)	18 (30.00)	4 (6.67)	6 (10.00)	4 (6.67)	4.00
8.	Repayment period	Bank	5 (8.33)	9 (15.00)	16 (26.67)	18 (30.00)	12 (20.00)	2.41
		Pawnbroker	25 (41.67)	16 (26.67)	9 (15.00)	7 (11.67)	3 (5.00)	3.88
9.	Accessibility	Bank	12 (20.00)	8 (13.33)	3 (5.00)	10 (16.67)	27 (45.00)	2.46
		Pawnbroker	34 (56.67)	13 (21.67)	7 (11.67)	3 (5.00)	3 (5.00)	4.20

(Figures in parentheses indicates per cent to total)

The banks satisfaction level was perceived comparatively lesser than the pawn brokers in response to the following factors, flexibility, processing time, procedures to access loan, individual identity, loan amount per gram of gold, repayment period and accessibility. The factors like monthly interest and safety for mortgaged gold only had the mean score above that of the pawnbrokers. It is evident that banks have to make a lot of changes in order to attract a large group of customers.

Flexibility in loan providing times for the bank had only a mean score of 2.13 in which pawnbrokers enjoy an upper hand with 3.91 in providing loan at any time of the day and need. For availing gold loan from the banks a customer has to approach in the working hours of the bank. Also, banks provide gold loans only on specified days in a week. But in the case of pawnbroker it is any time available even on holidays.

The processing time for gold loan in bank was measured as dissatisfied with a mean score of 2.23 where the processing time of pawnbroker was above satisfaction with a mean score of 4.03. The processing time required for a gold loan in the bank is higher while it is only 10 to 15 minutes for the pawn broker.

Procedures followed by the bank were measured as dissatisfied with a mean of 2.48. The procedures to access gold loan from the pawnbroker were above satisfaction with 4.10. The bank generally has to fulfil the norms and structures of the Reserve Bank of India. The pawnbrokers have comparatively simplified rules and procedures that they can follow. This makes a greater impact on the satisfaction level of the customers of pawnbrokers and the bank.

Interest rate was the major problem encountered by the customers of pawn brokers where the interest rate charged by the pawnbrokers are very high and people were highly dissatisfied with a mean score of 1.70. Banks are comparatively in the better position with a score of 3.98. The interest rate is fixed for the banks by the Reserve Bank of India and they are free of risk as it is a public institution, but the pawnbrokers need to meet their principal cost, risk associated etc.,

Safety for the mortgaged asset also had an upper hand for the banks than the pawnbrokers. The banks maintain locker facility for the gold they mortgage but the pawnbrokers use private lockers for this purpose and were comparatively above average.

The pawnbrokers enjoy a higher individual identity and repayment period is also considered to be comparatively higher than that of the banks. The mean of pawnbrokers for individual identity and repayment period are 3.80 and 3.88 and of the banks it was 2.30 and 2.41. The loan amount per gram of gold and accessibility of pawnbrokers were also higher than the banks.

### 5.2.12 Maximum amount of gold loan

The maximum amount of loan received under gold loan was recorded in order to understand the availability and movement of customers towards financial institutions. The amount of gold loan to be availed also helps the respondents to decide the financial institution in which they are about to avail loan. Thus the maximum amount of loan they have availed were recorded and presented in the Table 5.19.

**Table 5.19 Maximum amount of gold loan**

S.No	Amount of gold loan (Rs)	Customers of Bank		Customers of Pawnbrokers	
		Number	Per cent	Number	Per cent
1	Below 5000	1	1.67	26	43.33
2	5001-10000	5	8.33	18	30.00
3	10001-25000	27	45.00	9	15.00
4	25001-50000	18	30.00	5	8.33
5	Above 50000	9	15.00	2	3.34
Total		60	100.00	60	100.00

The amount of gold loan received clearly specifies that higher amount is received from the bank where movement towards pawnbroker is seen when the loan amount is low. The number of customers from bank who availed loan amount of Rs.10001-25000 (45 per cent) followed by Rs.25001-50000 and above Rs.50000 with 30 per cent and 15 per cent respectively. The customers who availed a loan amount less than Rs. 10000 was only 10 per cent in which 8.33 per cent was in the range of Rs. 5001-10000 and only 1.67 per cent was below Rs.5000.

In case of the loan amount received by the pawnbrokers, below Rs.5000 constituted the major share of 43.33 per cent followed by 30 per cent between Rs.5001-10000 and 15 per cent between Rs.10001-25000. A small cluster of about 11.67 per cent of the respondents had availed a loan amount above Rs. 25001 of which 8.33 per cent had availed between Rs.25000-50000 and only 3.34 per cent had availed above Rs. 50000.

### 5.2.13 Repayment period for gold loan

The repayment period for each and every individual differs as per their income level and in case of farmers the land holding size, productivity, season prevailing climatic condition and market structure are some of the factors that reduces the payback period. The repayment period of the farmers were classified such as below 3 months, 3-6 months, 6-9 months and above 9 months. The results were presented in Table 5.20.

**Table 5.20 Repayment period of gold loan**

S.No	Repayment period (in months)	Customers of Bank		Customers of Pawnbrokers	
		Number	Per cent	Number	Per cent
1	Below 3	12	20.00	7	11.66
2	4-6	17	28.33	13	21.67
3	6-9	24	40.00	21	35.00
4	Above 9	7	11.67	19	31.67
Total		60	100.00	60	100.00

From the above table, it could be inferred that the repayment period for the customers of the banks were higher compared to those of the pawnbrokers. Nearly 88 per cent of the customers of the banks repayment period were within 9 months, of which 40 per cent fall between 6-9 months. Repayment period of 12 per cent of the people were above 9 months. In case of pawnbrokers 66 per cent of the people were able to repay above 6 months and only 34 per cent of them had a payback below 6 months. The reason behind higher payback in the customers of pawnbrokers and lesser payback period in the customers of banks may be due to the repayment norms followed by banks.

### 5.2.14 Repayment capacity of borrower farm households

Repayment capacity measures provide insight into your ability to generate enough funds to make debt payments on intermediate and long-term loans and to replace capital assets. The repaying capacity of the farm households was understood well through the income and expenditure pattern. The percentage to the total income which is left after all the expenditures decides the repayment period. The expenditure and income pattern of the farm households were presented in the following Table 5.21.

**Table 5.21 Repayment capacity of borrower farm households**

(Amount in Rs per ha)

S. No	Particulars	Customers of Banks		Customers of Pawnbrokers		Total	
		Amount (Rs)	Per cent	Amount (Rs)	Per cent	Amount (Rs)	Per cent
<b>I</b>	<b>Expenditure</b>						
1	Working expenses on crop activities other than crop loan	33978.45	10.92	29485.50	11.12	31731.97	11.01
2	Crop loan	48583.32	15.57	39825.08	15.02	44147.54	15.32
3	Live stock Maintenance	80456.72	25.87	77456.82	29.21	78956.77	27.40
4	Instalment of other loans	8759.34	2.81	6354.28	2.39	7556.81	2.62
5	Consumption	139296.34	44.80	112048.14	42.26	125715.58	43.63
	<b>Total Expenditure</b>	311074.17	100.00	265169.82	100.00	288108.67	100.00
<b>II</b>	<b>Income Sources</b>						
1	Crop Income	160345.80	46.34	130485.35	45.00	145415.57	45.73
2	Livestock	158345.23	45.76	126987.64	43.80	142666.43	44.86
3	Off- farm and Non -Farm Income	27357.45	7.90	32485.21	11.20	29921.33	9.41
	<b>Total Income</b>	346048.48	100.00	289958.20	100.00	318003.33	100.00
	<b>Repaying Capacity</b>	34887.65	10.15*	24788.37	8.54*	29894.675	9.40*

\* indicates percentage of total income

From the above table it can be concluded that the amount of income left after all the expenditures is only 9.40 per cent of the total income. The customers of banks have a higher quotient as their land holding size was comparatively higher than that of the pawnbrokers. In other words, most of respondents of bank were medium and large farmers compared to customers of pawnbrokers, who were mainly small and medium farmers. The percentage of annual income left for repayment for banks was 10.15 per cent and of the pawnbrokers were 8.54 per cent.

### 5.3 Constraints in approaching bank for gold loan and factors affecting repayment

In this section constraints in availing gold loan, the factors influencing the prompt repayment and factors that delay prompt repayment are discussed for both the customers of banks and pawnbrokers. These factors give an idea in framing suitable policies and suggestions to overcome those constrains.

#### 5.3.1 Constraints in availing gold loan from bank and pawnbroker

The constraints in availing a gold loan from the bank and pawn broker was recorded from the respondents. The respondents were given the following constraints such as security norms and documentation procedures, time consuming loan procedures, scale of finance does not meet the need of cost of cultivation, higher interest rates on gold loan and lack of awareness about gold loan and were requested to rank it. The reasons were thus analysed using Garrett ranking technique to obtain the mean score. The results were given in Table 5.22.

**Table 5.22 Constraints in availing gold loan**

S.No	Constraints	Customers of Bank		Customers of Pawnbrokers	
		Mean	Rank	Mean	Rank
1.	Time consuming loan procedures	87.46	1	81.77	5
2.	Security norms and documentation procedures	86.09	2	83.12	4
3.	Lack of awareness about gold loan	84.54	3	83.37	3
4.	Scale of finance does not meet the need of cost of cultivation	82.23	4	85.21	2
5.	Higher interest rates on gold loan	80.75	5	88.62	1

The constraints for the customers vary accordingly based on the financial institutions. The time consuming procedures was ranked first by the customers of bank with a mean score of 87.46 followed by security norms and documentation process (86.09), lack of awareness about gold loan (84.54), scale of finance does not meet the cost of cultivation (82.23) and higher interest rates on gold loan (80.75). In case of pawnbroker it is quite different where higher interest rates was ranked first (88.62), followed by scale of finance does not meet the need of cost of cultivation (85.21), lack of awareness about gold loan (83.37), security norms and documentation process (83.12) and time consuming loan procedures.

From the inferences it could be further identified that the customers of bank consider that the procedures and documentation process followed by the banks were major constraints in availing loan whereas there is no procedures in getting loan from pawnbrokers. At the other end, the interest rates charged by the pawnbrokers were higher and thus it was considered as the major constraint.

### 5.3.3 Factors that influence prompt repayment of gold loans

It is necessary to look into the factors which help to repay the availed gold loan. Every individual makes an attempt to find out the repayment capacity and the factors influencing repayment. It was well understood that, more the amount of savings better help in availing credit.

**Table 5.23 Factors that influence prompt repayment of gold loans**

S.No	Factors	Customers of Bank		Customers of Pawnbrokers	
		Mean	Rank	Mean	Rank
1	Income from other sources	85.74	1	78.63	7
2	Better yield returns from agricultural activity	83.22	2	79.64	5
3	Good price for produce	82.67	3	79.17	6
4	Absence of other debts	81.53	4	83.05	2
5	Need of the jewels for functions	80.22	5	84.25	1
6	To maintain good relationship with bank / pawnbroker	78.65	6	80.16	4
7	Desire for getting further loan	77.41	7	77.27	8
8	Lower family consumption	77.05	8	81.62	3

The factors that influence prompt repayment of gold loan for the customers of banks income from other sources (85.74) was ranked first followed by better yield returns from agricultural activity (83.22), yielding good price for the produce (82.67), absence of other debts (81.53), need for jewels for functions (80.22), desire for getting further loan (78.65), to maintain good relationship with the bank (77.41) and lower family consumption (77.05). As already seen the land holding size of the customers of banks were comparatively higher where they are medium to large size farmers.

The factors which influences the repayment of gold loan by the customers of pawnbrokers need of the jewels for functions (84.25) was ranked first followed by absence of other debts (83.05), lower family consumption (81.62), maintain good relationship with pawnbroker (80.16) better yield returns from agricultural activity (79.64), good price for produce (79.17), income from other sources (78.63) and desire for getting further loan (77.27). The factor like good price for produce was not specified by majority of the respondents of pawnbrokers, as they don't hold large farms as the customers of banks.

#### **5.3.4 Factors that delay the prompt repayment of gold loans**

As factors which influence the prompt repayment of gold loans there are certain factors which delay in prompt repayment of gold loans. Some of the factors which were identified are lower yield/ crop failure, absence of other income, lower price for the produce, more family consumption, repayment of other debts, investment in other purposes, unanticipated expenditures in family and delays in receiving payment. The responses are presented in Table 5.24.

**Table 5.24 Factors that delay the prompt repayment of gold loans**

S.No	Factors	Customers of Bank		Customers of Pawnbrokers	
		Mean	Rank	Mean	Rank
1	Lower yield/crop failure	87.67	1	86.14	3
2	Investment in other purposes	86.08	2	79.63	8
3	Lower price for the produce	85.94	3	80.78	7
4	Repayment of other debts	84.26	4	88.36	1
5	Unanticipated expenditures in family	82.19	5	87.29	2
6	Absence of other income	81.74	6	81.66	6
7	Delay in receiving payment for the produce	79.63	7	83.64	5
8	More family consumption	78.95	8	84.22	4

In the factors which delay prompt repayment of loans, lower crop yield was ranked first by the customers of bank followed by investment in other purposes (86.08), low price for the produce (85.94), repayment of other debts (84.26), unanticipated expenditures in the family (82.19), absence of other income (81.74), delay in receiving payment for the produce (79.63) and more family consumption (78.95).

In the factors which hinders in prompt repayment of loans, repayment of other debts (88.36) was ranked first by the customers of pawn brokers followed by unanticipated expenditures in the family (87.29), lower crop yield (86.14), more family consumption (84.22), delay in receiving payment for the produce (83.64), absence of other income (81.66), lower price for the produce (80.78) and investment in other purpose (79.63).

#### **5.4. Measurement of service quality gap**

Customer satisfaction of the services is largely a function of perception and expectation of service and if the service provided by the bank fails to match the customer expectation, the service would be perceived as poor.

Dissatisfaction with services as provided largely stems from the difference between expectation and perception about what is actually provided. In this study the quality of service was measured with respect as eight dimensions namely (reliability, responsiveness, convenience, assurance, tangibles empathy, accessibility and price). The 21 statements about service quality had been used to analyze the expectation and satisfaction with the farmers with respect to the bank and pawnbrokers on the credit services offered was analyzed. This formed the basic premise for understanding the gap that arose in the farmers. Gap analysis of the every item of gold loan, service quality was studied by comparing the expectation mean score and perception mean score. If the gap was positive and high then the services provided did not meet the expectation of the farmers leading to dissatisfaction. If the gap was negative, the quality of service provided was greater than that expectation of the farmer; hence the farmer was more satisfied.

Paired t-test was employed to examine the significance of the difference between expectation and perception on for every identified service quality dimension.

**Table 5.25 Measurement of service quality gap in the customers of pawn brokers**

S.No	Service parameters	Expectation	Perception	Gap	t-value	P value
<b>RELIABILITY</b>						
1	Providing adequate credit	2.16	2.30	-0.14	-0.603	0.549
2	Sincere in solving problem	2.76	2.25	0.51	2.337*	0.023
3	Image and Reputation of the pawnbroker	3.15	2.23	0.92	4.667**	0.000
4	Providing timely credit	2.21	2.65	-0.44	-1.962	0.055
5	Accuracy in records	2.81	3.15	-0.34	-1.765	0.093
<b>RESPONSIVENESS</b>						
6	Information on delivery of loan	2.25	2.68	-0.43	-1.897	0.063
7	Helping the farmers in loan documentation process	2.66	2.38	0.28	1.300	0.199

S.No	Service parameters	Expectation	Perception	Gap	t-value	P value
<b>CONVENIENCE</b>						
8	Loan procedures and documentation	2.21	2.90	-0.69	-3.101**	0.002
9	Processing time	1.85	2.70	-0.85	-3.953**	0.000
<b>ASSURANCE</b>						
10	Trustworthiness	2.95	3.03	-0.08	-0.418	0.667
11	Farmers feel comfortable to interact	1.86	2.45	-0.59	-2.722**	0.009
12	Pawnbrokers are well aware of farmers need	2.35	2.68	-0.33	-1.668	0.101
<b>TANGIBLES</b>						
13	Use of modern equipment and décor of the office	3.13	2.46	0.67	3.336**	0.001
14	Infrastructure facility	3.16	2.41	0.75	4.269**	0.000
15	Communication materials	3.51	2.93	0.58	2.791**	0.007
<b>EMPATHY</b>						
16	Pawnbrokers give individual attention	2.31	2.58	-0.27	-1.10	0.273
17	Convenient working hours	2.35	2.90	-0.55	-3.259	0.002
18	Pawnbrokers understand the specific needs of farmers	2.63	2.83	-0.20	-1.217	0.288
<b>ACCESSIBILITY</b>						
19	Cordial relationship is there between the farmer and pawnbroker	2.00	2.40	-0.40	-1.772	0.082
20	Ease of obtaining gold loan	2.23	2.76	-0.53	-2.456**	0.107
<b>PRICE</b>						
21	Interest rate on gold loan	3.13	1.71	1.60	7.010**	0.000

(Note:\* and \*\* is significant at 5% and 1% level respectively)

From the table 5.25, it could be understood that the farmers were satisfied on account of some of the service quality factors of the pawnbrokers and they were not satisfied with the rest of the service quality factors. The results are extracted and presented in the table 5.26

**Table 5.26 Results of service quality analysis for pawnbrokers**

<b>Satisfactory attributes</b>	<b>Unsatisfactory attributes</b>
<b>RELIABILITY</b>	<b>RELIABILITY</b>
Accuracy in records	Sincere in solving problem
Providing timely credit	Image and Reputation of the pawnbroker
Providing adequate credit	<b>RESPONSIVENESS</b>
<b>ASSURANCE</b>	Information on delivery of loan
Trustworthiness	<b>PRICE</b>
Pawnbrokers are well aware of farmers need	Interest rate on gold loan
Farmers feel comfortable to interact	<b>TANGIBLES</b>
<b>RESPONSIVENESS</b>	Use of modern equipment and décor of the office
Helping the farmers in loan documentation process	Infrastructure facility
<b>EMPATHY</b>	Communication materials
Convenient working hours	
Pawnbrokers understand the specific needs of farmers	
Pawnbrokers give individual attention	
<b>CONVENIENCE</b>	
Loan procedures and documentation	
Processing time	
<b>ACCESSIBILITY</b>	
Cordial relationship is there between the farmer and pawnbroker	
Ease of obtaining gold loan	

**Table 5.27 Measurement of service quality gap in the customers of banks**

S.No	Service parameters	Expectation	Perception	Gap	t-value	P value
	<b>RELIABILITY</b>					
1	Providing adequate credit	2.60	2.56	0.04	0.174	0.862
2	Sincere in solving problem	2.01	3.05	-1.04	-5.273**	0.000
3	Image and Reputation of the bank	2.23	2.20	0.03	0.193	0.848
4	Providing timely credit	2.55	2.93	-0.38	-1.99	0.050
5	Accuracy in records	2.30	2.86	-0.56	-2.269*	0.027
	<b>RESPONSIVENESS</b>					
6	Information on delivery of loan	2.11	2.83	-0.72	-3.348**	0.001
7	Helping the farmers in loan documentation process	2.75	1.88	0.87	5.034**	0.000
	<b>CONVENIENCE</b>					
8	Loan procedures and documentation	2.70	2.53	0.17	0.656	0.514
9	Processing time	2.55	2.10	0.45	2.693**	0.009
	<b>ASSURANCE</b>					
10	Trustworthiness	2.08	1.95	0.13	0.753	0.454
11	Farmers feel comfortable interacting with employees	2.00	1.83	0.17	0.853	0.403
12	Employees are well aware of schemes	2.33	2.86	-0.53	-2.261*	0.027
	<b>TANGIBLES</b>					
13	Use of modern equipment and décor of the office	2.33	3.00	-0.67	-2.883**	0.005
14	Infrastructure facility	1.90	3.07	-1.16	-5.588**	0.003

S.No	Service parameters	Expectation	Perception	Gap	t-value	P value
15	Communication materials	1.78	2.36	-0.58	-3.085**	0.003
	<b>EMPATHY</b>					
16	Banks give individual attention	2.36	2.05	0.31	1.713	0.092
17	Convenient working hours	3.56	2.25	1.31	7.243**	0.00
18	Employees understand the specific needs of farmers	1.96	1.85	0.11	0.595	0.554
	<b>ACCESSIBILITY</b>					
19	Cordial relationship is there between the farmer and employee	2.31	2.03	0.28	1.668	0.101
20	Ease of obtaining gold loan	2.88	1.81	1.07	5.408**	0.000
	<b>PRICE</b>					
21	Interest rate on gold loan	1.98	2.61	-0.63	-3.098**	0.003

(Note:\* and \*\* is significant at 5% and 1% level respectively)

From the table 5.27, it could be understood that the farmers were satisfied on account of some of the service quality factors of the pawnbrokers and they were not satisfied with the rest of the service quality factors. The results are extracted and presented in the table 5.28.

**Table 5.28 Results of service quality analysis for banks**

Satisfactory attributes	Unsatisfactory attributes
<b>RELIABILITY</b>	<b>RELIABILITY</b>
Accuracy in records	Image and Reputation of the bank
Providing timely credit	<b>ASSURANCE</b>
Providing adequate credit	Trustworthiness
Sincere in solving problem	Farmers feel comfortable interacting with employees
<b>ASSURANCE</b>	<b>EMPATHY</b>
Employees are well aware of schemes	Employees understand the specific needs of farmers
<b>RESPONSIVENESS</b>	Employees give individual attention
Information on delivery of loan	Convenient working hours
<b>CONVENIENCE</b>	<b>RESPONSIVENESS</b>
Loan procedures and documentation	Helping the farmers in loan documentation process
Processing time for agricultural credit	<b>TANGIBLES</b>
<b>TANGIBLES</b>	Use of modern equipment and décor of the office
Communication materials	Infrastructure facility
<b>PRICE</b>	<b>ACCESSIBILITY</b>
Interest rate on gold loan	Ease of obtaining gold loan
	Cordial relationship is there between the farmer and employee

## CHAPTER VI

### SUMMARY AND CONCLUSIONS

Credit plays an important role in Indian agriculture. Farmers are dependent on financial institutions for production purpose. A majority of the cultivators find borrowing necessary as their own farm savings are inadequate to finance various agricultural development activities. Credit is assumed to be helpful for changing the composition and distribution of production in favour of deficit producers. Improved access to formal credit is supposed to shift rural borrowing from informal market to formal institutions, increasing the use of improved inputs and technology leading to increased production and higher income for the rural poor. Rural community lies on informal sector for credit in view the objectives thus set for the study were to analyse the socio-economic status of the farming community in Periyayakkenpalayam block of Coimbatore district, to find out the comparative advantage perceived by the farmers in availing gold loan from pawnbrokers over banks, to measure the gap between service quality expectation and perception of the farmers, to identify the constraints in approaching the banks and factors promoting timely repayment of gold loan and to suggest policy measures in promoting the disbursement of gold loan through banks.

Consecutively to achieve the objectives of the study, a multi stage random sampling was adopted to select the sample account holders. Taking into account of the economic development that has been contributing to the state of Tamil Nadu ahead of the capital city Chennai, the Coimbatore district has a huge network of banking institutions, with lot of employment opportunities around the city. Still there is a section of population where the formal financial services has not reached the poor and deprived. The district has a cluster of tribal people from the adjacent district of Nilgiris and lot of migrants come from various states of the country in search of employment opportunities. As per Rangarajan Committee (2008) 36 percent of tribal people and most of the backward people including scheduled caste (around 51 percent), lack basic financial services from the formal financial institutions. Hence, the Coimbatore district was selected for the study. Periyayakkanpalayam block was selected randomly from the district.

The study consisted of primary data obtained from the respondents of both banks and pawnbroker. The primary data consisted of the general characteristics of the respondents, the socio-economic characteristics, reasons for availing gold loan, awareness of institutions providing gold loan, source of information on gold loans, reasons for availing loan from banks and pawn brokers, comparative advantage of pawnbrokers over banks, repayment capacity, constraints in availing gold loan in bank and pawnbrokers and service quality gap among banks and pawnbrokers were recorded.

## **Conclusions**

Customers of the pawnbrokers were illiterate, marginal and small farmers unlike bank customers. About one third of respondents was not aware about financial institutions providing gold loan and does not hold a bank account. The purpose of availing gold loan from pawnbrokers was to purchase agricultural inputs followed by emergency needs and short term asset. It is reverse in case of the banks' customers who availed for purchase of long term asset.

Among the reasons for availing gold loan from bank, reasonable interest rate followed by safety for mortgaged property and providing huge scale of finance. In case of pawnbrokers, lack of bank account was the major reason for availing loan followed by less processing time and timely sanction of loan, easy approachability, higher loan amount per gram of gold and nearness of pawnbroker.

Most preferred financial institutions for the customers of bank was bank followed by co-operative societies with least preference for local money lender whereas for the customers of pawn brokers, neighbours and relatives preferred for availing credit followed by pawnbroker where banks occupied the last position. Out of the total sample respondents, farmers have more accessibility to money lenders and pawnbrokers than to bank and co-operative societies.

The banks satisfaction level was perceived comparatively lesser than the pawn brokers in respect of following factors namely flexibility, processing time, procedures to access loan, individual identity, loan amount per gram of gold, repayment period and accessibility. The factors like monthly interest and safety for mortgaged gold only had the mean score above that of the pawnbrokers.

The interest rates charged by the pawnbrokers were higher and thus it was considered as the major constraint. But in case of pawn brokers only 20 percent of them were aware about the interest rate imposed by the pawn brokers. The percentage of income left for repayment for banks was 10.15 percent and of the pawnbrokers were 8.54 percent. The amount of gold loan received indicated that higher amount was received from the bank where as movement towards pawnbroker was seen when the loan amount was low and in case of urgency. The service quality gap was positive for some statements for both banks and pawnbrokers. The gap was large for the interest rates levied by pawnbrokers

### **Suggestions**

Only for the purpose of getting loan many farmers forced to open a bank account. They don't have purpose to open and maintain bank account. For small amount of loan, they have to pay for appraisal cost. In pawn broker, being close and having identity, they feel free to approach. Bank must simplify the procedure in case of small amount and appraisal cost may be changed accordingly. Managers must be customer friendly and easily approachable.

Customer is trying to approach pawn broker to get amount more than eligible amount for gold or to get more amount per gram of gold. They did not even think of interest rate or other hidden charges in case of emergency. In banks this kind of adjustments and changing norms are not possible. Bank may think about this and come out with a scheme for genuine customers.

Flexibility may be increased in sanctioning amount and repayment date i.e. instead of stick on particular date bank may relax time of any date within the month. For example, if it exceeds one day, they have to pay one month interest. This may be taken in to account to increase customer loyalty. In pawn broker it is possible to release one or two jewellery if you repay part of principal amount. But it is not possible in banks. You have to pay all principal and interest to release any single jewellery. Bank may analyse this and try to help customers.

Repayment period is mostly one year for any formal institutions. That may be increased to 2-3 years according to loan amount. Bank can also increase their variety

monthly instalment plan according to the amount of loan by considering the number of instalment.

Banks can create a customer identification codes/numbers which can reduce the KYC (Know Your Customer) formalities while documentation to reduce their processing time in a greater extent.

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